CLASSIFIED ADVANCED ACCOUNTING PROBLEMS

NEW YORK UNIVERSITY
School of Commerce, Accounts and Finance
Accounting Series

ADVANCED PROBLEMS

Hiram T. Scovill

Collected and Classified

By

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PREFACE

This volume contains part of the material used in the course in Advanced Problems in New York University. The problems have been selected with special reference to the previous training in accounting which the students in our course have received. It follows therefore that a great deal of the material used will not be suitable for those who have had other preliminary training or who do not have in view the special aims of this group of students. Particular consideration has been given in the selection of the material to the needs of those who desire an intensive review of the subject matter.

John T. Madden

Arthur H. Rosenkampff

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SCHOOL OF COMMERCE - ACCOUNTS & FINANCE
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SINGLE ENTRY BOOKKEEPING

PROBLEM NO. 1.

(Ohio C. P. A. Examination)

The books of the Butter, Egg & Cheese Company, with an authorized and outstanding capital stock issue of $25,000.00 are kept by single entry.

It annually inventories all of its assets and liabilities and from such inventory prepares a financial statement. At December 31, 1913, this inventory is as follows:-

Office Cash	$ 1,584.00
Balance - Bank A	10,824.00
Accounts Receivable	29,521.00
10 Shares Stock in competing company . . .	1,000.00
Plant & Equipment	64,938.00
Merchandise Inventory . . .	21,737.00
Prepaid Expenses	5,081.00
Overdraft - Bank B	5,003.00
Accounts Payable	19,747.00
Mortgage Payable	25,000.00
Notes Payable	20,000.00

From a comparison of the financial statements at the beginning and the end of the year you find that the above-named item of Plant and Equipment is stated in an amount less by $11,460.00 than it was at the beginning of the year plus additions during the year.

The financial statement for the beginning of the year showed a surplus of $35,703.00.

From your analysis of the disbursements and unpaid accounts payable at the beginning and the end of the year, you find a total of purchases amounting to $661,910.00 and a total of expenses for salaries, wages, supplies, repairs, etc., amounting to $120,115.00.

PROBLEM NO. 2

(N.Y. C.P.A. Examination)

T. F. Fynes and W. J. Altherr are partners in business, sharing equally in gains and losses. Their books have been kept by single entry, but they desire to change them to the double entry method. The following is an abstract of their affairs at this time:

Assets and liabilities per ledger: T. F. Fynes, investment $12,500, withdrawals $2,500. W. J. Altherr, investment $12,500, withdrawals $2,000. Sundry accounts receivable $8,500, sundry accounts payable $6,000. Other assets and liabilities not in ledger: merchandise per inventory $18,000, cash in bank $5,500, bills receivable $2,300, bills payable $2,000, bank stock $2,000, real estate $5,000.

Determine the amount of gain and loss of each partner at this date and formulate a journal entry that will convert the single entry ledger to a double entry ledger.

Ref. 8-3

PROBLEM NO. 3.

(N.Y. C.P.A. Examination)

You are asked to prepare an account showing the profit earned by a concern for a certain period. The books have been kept by single entry and you gather from them the following:

Capital,....................................	$19,360
Cash,.......................................	2,600
Accounts receivable,........................	15,600
Merchandise,................................	10,400
Fixtures,...................................	1,650
Accounts payable............................	3,850
Bills payable...............................	5,000
Merchandise used by proprietor..............	800

The capital above set out is the balance of the account after $1,500 withdrawn during the period and $1,200 for salary have been charged up against it.

Set up the profit and loss account.

Ref. 18-5

PROBLEM NO. 4.

(N.Y. C.P.A. Examination)

John Doe commenced business with a cash capital of $15,000. At the close of his fiscal period the ledger accounts were: accounts receivable, $4,312.50; merchandise debit balance, $5,062.50; accounts payable, $5,375; expense, $900. Doe's total loss was $2,775.

Prepare a statement of assets and liabilities and the profit or loss.

Ref. 37-1

PROBLEM NO. 5.

(N.Y. C.P.A. Examination)

The ledger accounts of Henry James on December 31, 1915 showed:

Accounts payable $16,125; accounts receivable $13,188; expense $2,450; debit balance merchandise account $15,187. He had started in business January 1, 1915, investing $45,000 cash. His total loss for the year 1915 was 8,074.50.

Prepare a statement of assets and liabilities and the profit or loss.

Ref. 40-3

PROBLEM NO. 6.

(N.Y. C.P.A. Examination)

A, B and C enter into partnership January 1, 1895. A contributes \$8,500, B \$5,500, and C \$4,500. The profits and losses are to be divided in the same proportion. December 31, 1895, the partners agreed that before dividing profits and losses there shall be charged as an expense of the business and placed to their individual credit, salaries as follows: A \$800, B \$700, C \$600.

December 31, 1895, the trial balance of their books showed the following:

Capital, A,		\$ 8,500.00
Capital, B,		5,500.00
Capital, C,		4,500.00
Cash on hand and in bank	\$ 1,900.48	
Stock, January 1, 1895,	11,550.00	
Purchases,	51,666.70	
Sales,		25,650.80
Plant and fixtures	2,068.92	
Book accounts receivable including consignments,	20,745.83	
Consignments,		33,822.70
Trade creditors,		14,855.66
Loan account,		6,250.00
Loan interest,		125.00
Salaries,	1,257.00	
Wages,	2,025.00	
Trading expenses,	1,052.65	
Interest and discount,	1,273.45	
Losses on exchange,	2,108.00	
Commissions,		3,510.20
Drawings, A (includes \$800, salary allowance)	2,750.25	
Drawings, B (includes \$700, salary allowance)	2,345.65	
Drawings, C (includes \$600, salary allowance)	1,970.43	
	\$102,714.36	\$102,714.36

Their inventory of stock on hand December 31, 1895, amounted to \$11,337.50. Unexpired insurance premiums \$91. December 31, 1895, \$300 was paid for January (1896) rent in advance.

Prepare a trading account (cost as against proceeds), a profit and loss account and a balance sheet, also partners' capital accounts as of December 31, 1895, allowing 6% interest on capital and reserving 2-1/2% for losses on consignments.

Ref. 1-2

PROBLEM NO. 7.

(N.Y. C.P.A. Examination)

The trial balance of a manufacturing firm taken January 1, 1897 is as follows:

Capital A,..		$ 40,000
Capital,...		20,000
Plant and machinery,.........................	35,000	
Purchases,..	38,000	
Sales,...		95,000
Stock on hand January 1, 1896,.............	15,000	
Labor,..	24,000	
Salaries,..	6,000	
Traveling expenses,............................	2,500	
Interest,..	600	
Stationery and printing,......................	1,200	
Rents and taxes,.................................	3,500	
Discounts and allowances,..................	1,250	
Fuel,...	3,000	
Insurance (one year from July 1, 1896),......	1,150	
Freight,...	1,500	
General expenses,...............................	600	
Bank overdraft,....................................		5,000
Creditors,...		4,000
Accounts receivable,..........................	25,000	
Rent of steam power,..........................		1,500
Cash on hand,......................................	200	
Loan account,.......................................	7,000	
	$165,500	$165,500

Stock on hand January 1, 1897, $23,000; each partner to be credited 6-o/o on his capital for one year before profits are ascertained; 3-o/o to be written off book debts for discount; 10-o/o to be written off machinery and plant for depreciation; unexpired insurance to be taken account; net profit to be divided 2/3 to A and 1/3 to B. Draft journal entries for closing the books and prepare final balance sheet and profit and loss account.

Ref. 4-1

PROBLEM NO. 8.

(N.Y. C.P.A. Examination)

A, B and C agree to start in business with a capital of \$400,000, of which A is to furnish \$200,000, B \$100,000 and C \$100,000. A is to have 1/2 interest in the business, and B and C each 1/4 interest, and interest at the rate of 5% per annum is to be paid on excess capital, if any. A contributes \$200,000, B \$90,000 and C \$80,000.

How would the capital accounts stand on the books after adjusting the interest account at the end of one year?

Ref. 5-2

PROBLEM NO. 9.

(N.Y. C.P.A. Examination)

The trial balance of the books of Brown & Jones, Dec. 31, 1898, was as follows:

	Dr.	Cr.
Wm. Brown, capital,		$ 54,500.00
John Jones, capital,		37,200.00
Bills payable,		10,000.00
Accounts payable,		7,471.11
Merchandise,	$120,439.20	
Discount on sales,	6,480.70	
Sales account (net),		127,117.33
Rent,	1,200.00	
Store expenses, including salaries,	5,743.82	
Cash at bankers,	19,775.75	
Cash in office,	73.10	
Furniture and fixtures,	7,540.81	
Bills receivable (good),	16,657.27	
Legal expenses,	175.00	
Sundry accounts receivable (customers, good)	38,968.54	
" " " (customers, (doubtful)	5,285.25	
Wm. Brown (drawings),	3,500.00	
John Jones (drawings),	2,500.00	
Investment bonds and mortgages,	15,000.00	
Interest on bonds and mortgages,		750.00
Interest account (general),		1,543.78
Reserve account (for bad and doubtful debts)		4,757.22
	$243,339.44	$243,339.44

Goods on hand Dec. 31, 1898 (at cost) $52,315.67. Sundry expense bills unpaid, $115.20. Charge off 10% depreciation on furniture and fixtures. Charge partners drawing account 5% interest per year. Credit capital account with 5%. Provide sufficient reserve for bad and doubtful debts. Prepare merchandise account, profit and loss statement, assets and liabilities account and partner's account for year ending Dec. 31, 1898. Brown is entitled to 5/8 of profit. Jones is entitled to 3/8 of profit.

Ref. 6-6

PROBLEM NO. 10.

(N.Y. C.P.A. Examination)

Jones and Johnson are partners in business. Jones invests $27,000 and Johnson $18,000, and they agree to divide profits in proportion to their investments. At the end of a year their accounts show as follows: incidental expenses (including bad debts) $2,400; cash on hand $50; salesmen's salaries $12,000; cash in bank $1,200; accounts payable $7,416.92; bills receivable $2,650; taxes $950; Jones's drawing account $4,751.10; real estate $6,000; merchandise (inventory) $34,000; wages of office employees $3,275; Johnson's drawing account $3,631.11; bills payable $5,600; Commercial cable company's stock $5,000; balance in trading account (being gross profit) $38,745.21; accounts receivable (bad accounts excluded) $20,975.82; freights $243; discounts on purchases $1,125.90; discounts allowed customers $760. Make out a profit and loss statement, and after dividing the profits according to the agreement, prepare a balance-sheet showing the capital of each partner at the close of the year.

Ref. 7-4

PROBLEM NO. 11.

(N.Y. C.P.A. Examination)

L. H. McDonald and J. C. Smith form a copartnership Jan. 2, 1899, each investing $7,500. March 1 Smith makes an additional investment of $2,400 and McDonald withdraws $1,200. July 1, McDonald invest $2,500 and Smith withdraws $2,500. The profits for the year are $4,800.

Show each partner's average investment and share of profits, the profits being divided in proportion to the capital invested and the time it is employed.

Ref. 8-5

PROBLEM NO. 12.

(N.Y. C.P.A. Examination)

X, Y and Z are partners in business. An interest account is to be kept with each partner for his investments and withdrawals, and there is no expressed agreement as to the division of the net gain or loss. X invests Jan. 1, $15,000, May 1, $10,000, and withdraws Feb. 1, $500, April 1, $500, Jan. 1, $1,000. Y invests Jan. 1, $15,000, June 1, $10,000, and withdraws July 1, $500, Oct. 1, $750. Z invests Jan. 1, $1,000, and withdraws Feb. 1, $250, April 1, $300, July 1, $500, Sept. 1, $250, Nov. 1, $500. By the terms of the copartnership Z is to manage the business and to receive therefor $3,000 per annum, which is to be credited to him as of July 1. At the close of the year the business shows a gain of $12,750, without taking into consideration the matter of Z's salary or the interest on partner's accounts.

State the amount of net gain after all items are considered, and show the balance of each partner's account when finally adjusted. Formulate the proper journal entries for closing.

Ref. 15-5

PROBLEM NO. 13.

(N.Y. C.P.A. Examination)

Three men, located respectively at New York, Chicago and Minneapolis, conducted a business as partners. The partnership agreement recited that the New York partner was to receive a salary of $5,000 a year, the Chicago partner a salary of $3,000 a year and one-third of the profits of that branch and the Minneapolis partner a salary of $2,000 a year and one quarter of the profits of that branch. Six per cent interest was to be allowed on the capital used in the business, $500,000, which was employed one-half at New York, one-third at Chicago and one-sixth at Minneapolis. Repairs and renewals were to be charged to plant, and a depreciation of 6% per annum was to be allowed. Interest on borrowed money was to be distributed according to the invested capital at each branch. Plant Account at the beginning of the period showed as follows: New York $250,000; Chicago $200,000; Minneapolis $150,000. Repairs and renewals paid during the year amounted to $25,000 at New York, $30,000 at Chicago and $15,000 at Minneapolis; interest on borrowed money $15,000. Subject to these items, the profits of the year amounted to $50,000 at New York, $35,000 at Chicago and $25,000 at Minneapolis.

Complete the profit and loss account for the year.

Ref. 18-1

PROBLEM NO. 14.

(N.Y. C.P.A. Examination)

A, the party of the first part, enters, March 1, on the performance of a contract for $50,000, payable in two instalments of $25,000 each, the first of which is due on the completion of a specific part of the work but subject to 10% to be retained by the party of the second part as security for the continuation of the undertaking; the second, together with the security retained as aforesaid, is to be paid on final acceptance of the completed work.

A has a capital of $4,000 available for payment of labor, which proves insufficient. He therefore takes in as associates on April 1, B, who contributes $3,000 and C, who contributes $1,000, B and C to share profits in the proportions of 3/8 and 1/8 respectively, and to receive interest on capital at 6% per annum.

The first instalment on the contract falls due and is paid on May 1, at which date there had been expended by the contractors for labor and incidentals $7,502, and obligations for materials and supplies furnished on credit had been incurred and were outstanding to the amount of $13,900, of which all but $1,500 are forthwith settled from the instalment money.

On receipt of the first instalment, B and C withdraw their capital and realize the profits earned at the completion of the first stage of the work, leaving A to continue alone, it being carefully estimated and mutually conceded that a further outlay of $36,158 will be sufficient to finish the work and cover all reasonable contingencies.

Show by skeleton ledger accounts the cash payable by A to B and C, respectively, on their withdrawal from their partnership, and state the resources and obligations that remain to A on entering on the second part of the work.

Ref. 25-6

PROBLEM NO. 15.

(N.Y. C.P.A. Examination)

A & B are partners owning two retail stores, one in Paterson and the other in Newark. They agree to dissolve partnership as of July 1, 1912. The two stores are valued July 1, 1912 as follows: Paterson, $4,573.50; Newark, $3,600. On this basis B contemplates purchasing A's interest. On being furnished with the following data, B requests you to inform him if the inventory of the Paterson store January 1, 1912, was correct as A claims:

Value of the alleged inventory January 1, 1912, in the Paterson store,..................................	$3,800.00
Purchases for both stores, January to July, paid for,.	5,128.80
Due to creditors on account of both stores, July 1,...	1,500.00
Cash sales, Newark store,..............................	1,875.00
Cash sales, Paterson store,............................	3,105.00
Purchases, Paterson store, January to July,..........	3,325.00
Profits on 50% of sales	

Prepare a statement proving whether or not the inventory of the Paterson store January 1, 1912, was correct as stated.

Ref. 35-5

(N.Y. C.P.A. Examination)

A partnership was formed July 1, 1907, to act as factory selling agents with capital invested by Baker $5,000, Draper $7,000, Fowler $8,000, profits and losses to be shared in proportion to original capital investments, no interest to enter into partners' accounts.

On December 31, 1909, the books, which had been badly kept, showed the following balances which were not disputed by any of the partners: ,Baker net credit $3,000, Draper net debit $3,370, Fowler, net credit $4,650; cash in banks and on hand $804.20; expense debit $4,550; interest credit $250; accounts receivable factories $2,240; investment account $12,000.

The firm holds a number of one year sales contracts under which the minimum guaranteed will net $15,000 in commissions. The factories make shipments to customers direct and send monthly statements to Baker, Draper and Fowler of shipments and commissions. The investment account represents holdings at par of 75% of the capital stock of a company on whose books at the end of 1909 appears a deficit of $2,700.

Baker and Draper have agreed to sell their interest in the business as of December 31, 1909, including the firm name, to Fowler for 200 cents on the dollar, taking notes covering 18 months.

Prepare a statement showing the settlement between partners on December 31, 1909, and a balance sheet as of January 1, 1910, of Baker, Draper and Fowler.

Ref. 41-1

PROBLEM NO. 17.

(N.Y. C.P.A. Examination)

A and B are engaged in business as traders. A offers to purchase B's interest. It is inexpedient to take an inventory or to examine the books. The following facts have been compiled by the bookkeeper and are to be given full credence. The following data is submitted to an accountant from which he is requested to prepare and to furnish a Profit and Loss Account and a financial statement showing partnership interests. Prepare the statements.

CASH TRANSACTIONS

A's investment,............	$ 5,000	Cash payment for merchandise.........	$98,400
B's investment,............	2,500	Expenses,...........	800
Cash received from charge sales,..................	98,000	A's drawings,.......	14,000
Cash sales,................	9,200	B's drawings,.......	1,500

OTHER DATA

Accounts receivable,.......	$10,000	Accounts payable....	9,000

Ref. 42-1

PROBLEM NO. 18.

(N.Y. C.P.A. Examination)

The capital of three partners, A, B, and C, in a manufacturing business January 1, 1896, was $26,000, of which A owned 1/5, B 2/5 and C 2/5. On December 31, 1896, one year thereafter, the condition of the business was found to be as follows:

ASSETS

Real estate and buildings,		$15,000
Plant and machinery,		7,000
Stock on hand,		2,000
Book debts,		6,000
Cash in bank,		2,500

LIABILITIES

Creditors, bills payable,		$ 8,000
Partners' withdrawals:		
A (including interest),	$1,500	
B (including interest),	1,200	
C (including interest),	2,000	4,700

After crediting up interest on capital at the rate of 6%, show the net result for the year, and distribute the same, in the proper proportions, to the partners' accounts. Prepare the individual partners' accounts, showing the condition of each at the end of the year.

Ref. 45-4

PROBLEM NO. 19.

(Washington C. P. A. Examination)

H. Pratt, F. Jones, and J. Todd entered into partnership on July 1, 1914. Pratt brought in as capital $15,000.00; Jones $10,000.00; and Todd, $5,000.00. They were to share profits in the proportion of one-half, one-third, and one-sixth, but as Jones and Todd were the working partners, they were to be credited at the close of each current year, by way of salary. with the respective sums of $1,250.00 and $750.00. Pratt was to be allowed to draw each year, as against profits, $2,500.00; Jones, $1,650.00; and Todd, $1,250.00; interest at 6% was to be charged on such drawings. The partnership agreement also provided that Jones and Todd should have the right to bring in extra capital not exceeding $8,000.00 each, and that upon such capital they were to be credited with 6% interest. Upon closing the books on June 30, 1915, it was found that the partners had drawn as follows:-

Pratt		Jones		Todd	
Sept. 1 . . .	$ 500.00	Aug. 1 . . .	$400.00	Aug. 1 . . .	$300.00
Nov. 1 . . .	750.00	Sept.1 . . .	350.00	Sept.1 . . .	250.00
Dec. 1 . . .	1,000.00	Oct. 1 . . .	500.00	Nov. 1 . . .	400.00
		Dec. 1 . . .	400.00	Jan. 1 . . .	100.00

On October 1 Jones brought into the business as additional capital the sum of $1,200.00, and Todd, $2,000.00. On closing the books at June 30, 1915, and before the salary or interest to partners had been dealt with the balance to the credit of Profit and Loss stood at the sum of $13,000.00. Make the closing entries and prepare capital and drawing accounts showing the exact position of the partners on July 1, 1915.

PROBLEM NO. 30.

(N.Y. C.P.A. Examination)

By the partnership agreement existing between Brown & Gray, Brown has two-thirds of the profits and Gray one-third. Brown's capital account stands credited $50,000. Gray's capital account stands credited $40,000. The assets of the partnership consist of the following:

Factory and machinery,...........	$75,000
Stock per inventories,...........	30,000
Accounts receivable,.............	15,500

The liabilities are as follows:

Accounts with creditors,.........	15,000
Bills payable,...................	10,000
Owing bank,......................	5,500

Current bills receivable have been discounted by the firm at the bank to the extent of $9,800. Brown retires from the business. Gray takes over the liabilities as above mentioned, and the assets at the following agreed valuation:

Factory and machinery,...........	$70,000
Stock per inventories,...........	26,000
Accounts receivable,.............	14,000

An arrangement is made whereby Gray receives $500 from Brown for accepting sole liability for discounted bills receivable.

Make up a statement showing the amount that Brown should receive, it being understood that losses on capital are borne by the partners in the proportion in which the profits are divided.

Ref. 8-4

PROBLEM NO. 31.

(N.Y. C.P.A. Examination)

X and Y went into partnership eight years ago. By their articles of agreement division of profits was to be four-sevenths to X and three-sevenths to Y. During the last five years the several annual business statements signed by both partners show that the profits have been divided equally, the difference being an advantage to Y of $15,000. Y died six months after the date of the last balance sheet. The executors want a statement of Y's interest from the firm's books. It is agreed that his capital is $65,000. Show how the accounts should be adjusted, the profits for the six months since Y's death amounting to $12,000.

Ref. 7-6

(N.Y. C.P.A. Examination)

A. J. Smith and J. D. Gray signed articles of copartnership January 1, 1895, each investing $30,000 and agreeing to share equally the losses or profits of a trading business. The copartnership was to exist for five years, and shortly after it terminated Smith died. A trial balance of the accounts of the firm, taken January 1, 1900, was as follows:

A.J. Smith, drawing account,.............	$ 35,746.00	A.J. Smith, capital account,......	$ 30,000.00
J.D. Gray, drawing account,.............	13,890.00	J.D. Gray, capital account,......	30,000.00
Merchandise,...........	35,000.00	Profit and loss	104,695.00
Horses and wagons,.....	15,000.00		
Furniture and fixtures,	5,000.00		
Cash,..................	2,267.50		
Mortgages,.............	10,000.00		
Bills receivable,......	8,000.00		
Accounts receivable,...	39,791.50		
	$164,695.00		$164,695.00

The surviving partner took possession of the merchandise, horses, wagons, furniture and fixtures, and continued business under his own name, at the same time acting as agent of the firm in realizing on the remaining assets. September 1, 1900, he reported to the executors of the estate of his late partner, that he had collected $25,000 on open accounts, $5,000 on bills receivable and $1,650 for interest. His expenses had been as follows: clerk hire $500, lawyer's fees $1,500, miscellaneous $200, and he had made sundry allowances to customers amounting to $3,000.

Prepare statements showing the condition of the respective capital accounts September 1, 1900, and state what amount of cash is due from J. D. Gray to the estate of his late partner. Also prepare balance sheet for same date.

Ref. 9-2.

(N.Y. C.P.A. Examination)

Wright, Barnes and Wood, partners sharing profits and losses in proportion to capital, viz, Wright one-half, Barnes one-third and Wood one-sixth, decided to dissolve the partnership at the close of business, December 31, 1900. A trial balance of the firm's ledger at this date showed the following figures:

Wright, capital,			$ 15,000
Barnes, capital,			10,000
Wood, capital,			5,000
Bond and mortgage,		$ 16,000	
Merchandise on hand January 1, 1900,		15,000	
Furniture and fixtures,		6,000	
Cash,		4,500	
Bills, receivable,		12,000	
Accounts receivable,		64,000	
Bills payable,			30,000
Accounts payable,			20,000
Interest accrued,			900
Taxes accrued,			1,500
Sales,	12 Months		235,000
Purchases,	"	156,000	
Freight,	"	4,500	
Salaries and wages,	"	13,500	
Office expenses,	"	3,400	
Rent and taxes,	"	7,500	
Interest,	"	2,200	
Miscellaneous expenses,	"	600	
Wright, drawing account,		5,000	
Barnes, drawing account,		5,000	
Wood, drawing account,		2,200	
		$317,400	$317,400

Merchandise as per inventory December 31, 1900 $17,400.

January 1, 1901, Wood sold his interest in the business to Barnes for $7,500 cash. The liquidation of the affairs of the firm was completed March 31, 1901. Furniture and merchandise realized $18,000. Bills and accounts receivable amounting to $7,300 were found to be bad and uncollectable. The expenses of liquidation were as follows:

Clerk hire,	$ 650
Legal fees and commissions,	1,450
Miscellaneous expenses,	900

Prepare balance sheet and profit and loss account, December 31, 1900; also partners' accounts, March 31, 1901.

PROBLEM NO. 24.

(N.Y. C.P.A. Examination)

A, B and C were partners carrying on business with a capital, December 31, 1900, of $60,000, of which A's share was $30,000, B's $20,000 and C's $10,000. Each partner was entitled to receive interest on his capital at the rate of 5% a year, and to share profits or losses in the following proportions: A seven-twelfths (7/12), B one-fourth (1/4), C one-sixth (1/6).

The partners agree, July 1, 1901, to dissolve and wind up business. All the partnership assets having been realized, and all liabilities and claims paid, excepting legal expenses amounting to $500, there remained a balance of $38,750 deposited in bank. The partners arranged for a final settlement to take place December 31, 1901. The cash in bank bears interest at 2-1/2% from October 30, 1901. Adjust the partners' capital accounts and prepare a statement for settlement on the day specified.

Ref. 12-2

PROBLEM NO. 25.

(N.Y. C.P.A. Examination)

Robert Adams and William Stevens are equal partners. On the night of July 3, their stock and fixtures were destroyed by fire. A trial balance which Adams had at his home showed the following condition of the ledger at the close of business June 30:

Robt. Adams,	$ 600	$ 7,450
Wm. Stevens,	600	7,450
Cash,	3,309	
Fixtures,	1,500	
Mdse. purchases,	32,600	
Mdse. sales,		24,800
Notes receivable,	1,000	
Notes payable,		2,000
Interest,	120	50
Expense,	780	
Customers,	4,500	
Creditors,		3,259
	$45,009	$45,009

The property is fully covered by insurance. The insurance company, for the purpose of estimating the value of the merchandise destroyed, has agreed to allow 35% as the average gross gain on the sales and to pay 66-2/3% on the value of fixtures as shown by the ledger.

On the basis of this agreement, state the result of the business and the capital of each partner.

Ref. 12-4

(N.Y. C.P.A. Examination)

A and B of Colorado engaged as equal partners in a stock-raising enterprise with a capital of $10,000, each contributing one-half.

A received a salary of $200 per month.

At the end of three years they decided to terminate the business, and B, who handled all the moneys of the copartnership and kept the books, reported the following receipts and payments:

RECEIPTS

A's investment,	$ 5,000
B's investment,	5,000
Sales of cattle,	80,359
Loans,	15,000

PAYMENTS

Purchases of cattle,	$57,000
Loans repaid,	14,000
A's salary,	4,200
Interest,	1,000
Expenses,	9,000
A's withdrawals,	2,200
B's withdrawals,	1,800

A round-up and branding of the herd showed the following inventory: 30 heifers @ $20, 38 steers @ $30, 75 cows @ $20, 10 bulls @ $60, 75 yearlings @ $12, 100 calves @ $8.

There remained with the bankers a balance of $16,150, and other assets were as follows; horses $800, tools etc. $100, supplies $150, accounts receivable $750.

The firm owed the following bills: branding irons $40, salt $100, loan at bank $1,000, unpaid wages $260.

You are required to prepare such statements as are necessary to show (a) the financial condition of the copartnership at its termination, (b) the results of the three years' operations, (c) the interest of each partner.

Ref. 13-6

PROBLEM NO. 27.

(N.Y. C.P.A. Examination)

A, B, C and D enter into partnership with a capital of $100,000. A invests $40,000, B $30,000 C $20,000 and D $10,000. They are to share profits or losses in the following proportions: A 35 per cent., B 28 per cent., C 22 per cent. and D 15 per cent. They are also to receive stipulated salaries chargeable to the business.

At the end of six months there is a loss of $8,000 and meantime the partners have drawn against prospective profits as follows: A $400, B $600, C $600 and B $400.

They dissolve partnership and agree to distribute proceeds of firm assets monthly as realized. C and D enter other business and A and B remain to wind up the firm's affairs, it being stipulated that from all moneys collected and paid over to C and D commission of 5 per cent. is to be deducted and divided equally between A and B for their services in the winding up.

The realization and liquidation lasts four months and the transactions are as follows:

	Assets Realized	Liabilities Liquidated	expenses and losses on realization exclusive of commissions
1st month, ...	$ 30,190	$ 7,900	$ 400
2nd month, ...	50,300	6,100	750
3rd month, ...	20,010	3,800	340
4th month, ...	9,500	2,200	110
	$110,000	$20,000	$1,600

Prepare partners' accounts showing the amount payable monthly to each one.

Ref. 21-2

(N.Y. C.P.A. Examination)

A, B, C, and D, partners sharing profits equally, decided to dissolve partnership. On June 30, 1908, an arrangement was made by which D was immediately paid $18,000 in cash for his interest, and the remaining partners liquidated the business. The debts were paid in full, the machinery and fixtures were sold for $21,800, the merchandise brought $17,500, and all accounts and notes were collected in full excepting a special allowance of $500 made to one of the customers. An amount of $2,000 was disbursed for expenses in liquidating the business.

Prepare profit and loss statement, and a statement of assets and liabilities as of June 30, 1908, using the value of the assets as determined by the liquidated values; also prepare partners' accounts showing the cash to be distributed to them.

The trial balance of the firm on June 30, 1908, showed the following accounts:

A's capital account,		$ 25,000
B's capital account,		25,000
C's capital account,		25,000
D's capital account,		25,000
Cash,	$18,400	
Notes receivable,	14,000	
Accounts receivable,	26,000	
Merchandise inventory of Jan. 1, 1908,	20,000	
Machinery and fixtures,	25,000	
Merchandise purchases, Jan. 1 to June 30, 1908,	70,000	
Salaries,	10,000	
Office expenses,	2,500	
Rents,	1,800	
Taxes,	1,000	
Interest,	2,000	
A's personal account,	2,000	
B's personal account,	20,000	
C's personal account,	3,000	
Sales, Jan. 1 to June 30,		75,000
Notes payable,		20,000
Accounts payable,		19,200
Accrued interest on notes,		500
Accrued taxes,		1,000
Totals,	$215,700	$215,700

Ref. 26-2

(N.Y. C.P.A. Examination)

C, D and E are partners sharing profits in accordance with capital investments. At the end of the fiscal year, after all nominal accounts are closed, the books show the following:

Cash,	$ 20,051	
Plant,	60,422	
Inventory of merchandise,	41,300	
Bills receivable,	18,028	
Book accounts receivable,	70,402	
C drawings,	8,400	
D " ,	6,000	
E " ,	4,800	
Bills payable,		$ 5,211
C capital,		100,000
D " ,		50,000
E " ,		50,000
Profit & Loss, undivided profits,		24,192
	$229,403	$229,403

The partners thereupon incorporate a company with an authorized capital of $250,000. The company so formed purchase the partnership assets and goodwill, not including the cash, $250,000, payable $200,000 in stock and $50,000 in cash, the last-mentioned cash being the proceeds of sale of stock to F.

It is the intention to divide the purchase money stock among the vendors in proportion to their former capital and to adjust their accounts by the division of the cash shown in trial balance, which will then be placed to their credit as loans to the company at 6% interest and remain as working capital. The bills payable are to be settled by the partners. As the drawings of the partners are not in proportion to their respective shares in the profits, the partners are charged with the interest thereon in the following amounts, viz: C $231, D $165, and E $132.

Frame the necessary entries to close the partnership books and show the amount of cash received by each partner.

Referring to question, frame the necessary entries to open the books of the company and prepare a balance sheet showing the condition of the company at the beginning of its operation.

Ref. 20-3

PROBLEM NO. 30.

(N.Y. C.P.A. Examination)

A firm desires to transfer its property to a corporation duly organized to carry on the business. The net assets of the firm consist of the following:

Land and buildings, ...	$150,000
Merchandise on hand, ...	100,000
Accounts receivable, ...	150,000
Goodwill and patents, ...	100,000
Cash, ...	50,000
Total, ...	$550,000

It is proposed to issue in full payment therefor, bonds, preferred stock and common stock aggregating the sum of $500,000, of which each partner is to receive his proportionate share according to his interest in the firm, viz; Jones 60%, Brown, 25%, Smith 15%.

Prepare opening journal entries for the new company, and a statement of assets and liabilities, and state what amount of each class of securities each of the partners should receive.

Ref. 10-2

PROBLEM NO. 31.

(N.Y. C.P.A. Examination)

A, B and C constitute a firm engaged in a manufacturing business, which they have decided to change into a stock company with a capital of $100,000, equally divided into common and preferred stock, par value of each share $100. Each partner is to take stock to the amount of his net investment in the business, on the basis of 75% preferred and 25% common stock and the remaining shares authorized are to be offered for sale. On the taking over of the business the books of the company show assets as follows: real estate $25,000, machinery and tools $10,000, merchandise $15,000, material and supplies $8,000, cash $5,000, notes receivable $3,000, accounts receivable $9,000. The liabilities are notes payable $10,000, accounts payable $5,000, A $25,000, B $20,000, C $15,000.

Formulate the necessary entries to close the books of the firm and to open the corporation ledger.

Ref. 9-5

PROBLEM NO. 32.

(N.Y. C.P.A. Examination)

A invests $50,000, B $25,000 and C $10,000, as the capital of the firm of A, B & C. The partnership agreement provides that they shall share profits and losses equally. At the end of a business term the balance-sheet shows as follows:

ASSETS		LIABILITIES		
Cash,................	$ 500	Notes payable,..........		$ 10,000
Accounts receivable,.	58,000	Accounts payable,.......		75,000
Mdse. per inventory..	56,000	Partners capital:		
Manufacturing plant,..	41,000	A,.............	$55,000	
Various stocks and		B,.............	27,500	
bonds at market price	17,000	C,.............	5,000	87,500
	0			
	$172,500			$172,500

The business is sold out, the assets realizing $140,000 gross. The expenses of the sale, including commissions, were $5,000. Show the final accounts of the partners.

Ref. 7-2

PROBLEM NO. 33.

(N.Y. C.P.A. Examination)

A and B, partners in a mercantile business, share profits and losses equally. At the end of five years the partnershop terminates by limitation and the balance sheet shows the following:

LIABILITIES			ASSETS	
Creditors,.............		$30,000	Plant and machinery,....	$15,400
Bills payable,..........		10,000	Inventory,..............	36,000
Capital:			Accounts receivable.....	28,000
A,............	$30,000		Cash in bank,...........	5,600
B,............	15,000	45,000		
		$85,000		$85,000

Subsequently the business as it stands (except cash in bank) is sold for $30,000. Make final adjustments and closing entires, and show the amount each partner receives.

Ref. 4-2

(Minnesota C.P.A. Examination)

The Prosperous Manufacturing Company, a corporation, was organized July 1, 1914, with an authorized capital stock of $215,-000.00, pare value of share - $100.00 each, for the purpose of manufacturing novelties. The five incorporators subscribed and paid for five shares each; organization expenses were incurred to the amount of $5,000.00, and paid for in stock; and the balance of the stock was disposed of on the following conditions; 10% upon subscription, and three equal calls for the balance at 30, 60, and 90 days.

On July 31 the Prosperous Manufacturing Company secured an option for thirty days on the plant of A. & B. for $10,000.00, agreeing to take over the assets exclusive of cash and assuming the liabilities of the partnership as at July 31 for the sum of $200,-000.00, payable $90,000.00 immediately after taking over the business and the balance in 90 days. At the expiration of the option, the corporation took the plant as agreed.

The following is a transcript of A. & B.'s ledger balances as as at July 31, 1914.

Land	$ 30,000.00
Buildings	35,000.00
Machinery,	20,000.00
Furniture and Fixtures	5,000.00
Raw Material	10,000.00
Tools	2,500.00
Finished Goods	10,000.00
Work in Process	5,000.00
Supplies	7,500.00
Accounts Receivable	25,000.00
Cash	8,200.00
Mortgage on Buildings	10,000.00
Reserve for Depreciations-Machinery	2,500.00
Reserve for Bad Debts	1,000.00
Accounts Payable	15,000.00
A	77,820.00
B	51,880.00

DDuring the interval A. & B., with the consent of the corporation had sold finished goods for $5,000.00, which was 25% above cost.

The subscriptions to the stock of the corporation were set on call with the exception that on the second call a subscriber for twenty-five shares notified the corporation that he was unable to complete his agreement, and he was released without further liability. The forfeited stock was sold for cash at par.

From the foregoing, draft:

(a) Journal entries necessary to close the books of the partnership.

(b) Journal entries necessary to open the books of the corporation and to show all transactions on the Prosperous Manufacturing Company's books.

(c) Balance sheet of the Prosperous Manufacturing Company Sept. 1, 1914.

PROBLEM NO. 35.

(N.Y. C.P.A. Examination)

A, the senior partner of a firm, dies May 9, at the close of which day the trial balance of the copartnership ledger shows the following items:

Cash,	$ 3,794	
Fixed assets,	21,036	
Trade debtors,	92,766	
Trade creditors,		$ 93,206
Inventory, January 1,	12,005	
Purchases,	14,160	
Sales,		19,658
Expenses,	5,213	
Capital, A,		20,000
Capital, B,		10,000
Capital, C,		5,000
Personal, A,		2,310
Personal, B,	750	
Personal, C,	450	
	$150,174	$150,174

The inventory of mdse. stock May 9 is computed at $15,200, the unexpired insurance at $149 and accrued expenses at $207. The division of profits between partners is as follows: A 57%; B 28%, C 15%. No interest is credited on capital but interest is credited on A personal $115, and charged to B personal $6.25 and to C personal $3.75.

The partnership agreement provides in case of A's death for the sale of A's interest to B and C on the execution of a bond by them in favor of A's estate, payable in five yearly instalments, and stipulates that the assets are to be taken at book value, excepting 1/2% reserve for bad debts, in compliance with which provision a reserve of $500 is made.

A new firm of B, C and D is formed, in which D invests $5,000 cash for a 1/4 interest in the business. B withdraws all in excess of $10,000 and C pays in a sum sufficient to bring his capital up to $5,000. The future profits are to be shared in the following stated proportions, viz: B 1/2, C 1/4 and D 1/4. The new firm executes a purchase mortgage with bond as provided in favor of A's estate for $20,000, and pays over balance of his interest in cash.

Prepare the necessary accounts to give expression to the foregoing liquidation of the firm of A, B and C, and a balance sheet of the firm of B C and D, as at the beginning of their enterprise.

Ref. 24-6

PROBLEM NO. 36.

(Illinois C.P.A. Examination)

John Jones, William Brown, and Alexander White are partners in a business, their respective interests in the profits of the business being five-tenths, four-tenths, and one-tenth. The partners agree that Mr. Jones' son be taken into the business as at January 1, 1916, on the understanding that White's interest in the business be increased to 12%, which increased share is now considered to be applicable to the four previous years, while the shares of Mr. Jones and Mr. Brown are to be 40% and 39% respectively, and Mr. Jones' son is to be given 9% interest in the profits of the business. It is further agreed that the value of the goodwill of the business, amounting to $50,000.00, be set up on the books. This amount is to be divided between Mr. Jones and Mr. Brown in proportion to their original interests in the profits. Mr. Jones is to transfer the sum of $6,000.00 to his son's credit, which will be in addition to the sum to be allowed him out of profits of previous years. The profits divided during the four years to December 31, 1915, were as follows:-

1912	$ 41,030.00
1913	49,000.00
1914	52,000.00
1915	48,000.00
	$190,030.00

The balances at credit of the capital accounts at December 31, 1915, were:

John Jones	$ 230,310.00
William Brown	185,112.00
Alexander White	21,809.00
	$ 437,231.00

Prepare a detailed statement showing the balances at credit of the various partners on January 1, 1916, after giving effect to the provisions of the new partnership agreement as above indicated. Ignore any question of interest.

in a business, their respective interests in the profits of the business being five-tenths, four-tenths, and one-tenth. The parties agree that Mr. Jones' son be taken into the business as of January 1, 1916, on the understanding that White's interest in the business be increased to [illegible], which increased share is now considered to be applicable to the four previous years, while the shares of Mr. Jones and Mr. Brown are to be [illegible] and [illegible] respectively, and Mr. Jones' son is to be given [illegible] interest in the profits of the business. It is further agreed that the value of the goodwill of the business, amounting to [illegible], be set up on the books. This amount is to be divided between Mr. Jones and Mr. Brown in proportion to their original interests in the profits. Mr. Jones is to transfer the sum of [illegible] to his son's credit, which will be in addition to the sum to be allowed him out of profits of previous years. The profits divided during the four years to December 31, 1915, were as follows:-

The balances at credit of the capital accounts at December 31, 1915:

Prepare a detailed statement showing the balances at credit of the various partners on January 1, 1916, after giving effect to the provisions of the new partnership agreement as above indicated. Ignore any question of interest.

PROBLEM NO. 37.

(N.Y. C.P.A. Examination)

A and B have carried on business as equal partners for five years at an average yearly profit of about $3,000. At the end of that time they invite C to purchase 1/3 of their joint interest for cash, he to pay therefor an amount equal to 1/3 of the capital in the business December 31, 1896, as shown by the balance sheet of that date. This balance sheet, which is given below, is handed to you with a request that you will report to C whether or not the capital in the business is as stated, and if in your opinion the investment is a safe and judicious one for him to make. Give a brief report in accordance with this request.

BALANCE SHEET, DECEMBER 31, 1896

ASSETS

Buildings, plant and machinery at values as originally taken over in 1891,.........	$65,300	
Add: expended since in repairs and renewals	12,600	$ 77,900
Goodwill and trade marks,...........................		25,000
Books debts as taken from ledger,..................		42,350
Inventory, raw materials and finished goods at cost,		23,200
Investments:		
Linton Mill Co., 700 shares at their book value, viz, 40 cents on the dollar,........	$28,000	
Add: five years interest thereon at 6%.	8,400	36,400
Partners' accounts:		
A,.................................	$ 3,400	
B,.................................	4,100	7,500
Cash in bank,....................................		22,150
		$234,500

LIABILITIES

Mortgage,..	$ 25,000
Bills payable,.....................................	150,000
Accounts payable,..................................	32,500
Partners' capital,.................................	27,000
	$234,500

Ref. 3-2

PROBLEM NO. 38.

(N.Y. C.P.A. Examination)

A, B and C were partners in business for several years. A died December 31, 1903. The articles of copartnership provided that on any change in the firm the goodwill should be taken into account and its value divided - one-half to A and one-quarter each to B and C. The balance sheet at the date of A's death was as follows:

ASSETS

Cash,	$ 1,500	
Merchandise on hand,	12,000	
Sundry notes and accounts receivable,	15,000	$28,500

LIABILITIES

Sundry accounts payable,	$ 8,500	
A's net investment,	10,000	
B's " ,	5,000	
C's " ,	5,000	$28,500

In January, 1904, B and C arranged with D to come into the firm with $5,000. The goodwill is, by agreement, to be valued at $3,000. The new firm, consiting of B, C and D, takes over the business and goodwill in equal shares, subject to an allowance of 2-1/3% on the notes and accounts receivable. It pays the estate of A $5,000, with the understanding that the balance due A's estate shall remain as a loan at the rate of 5% interest.

Prepare the balance sheet and the capital accounts of B, C and D as they should appear at the beginning of the new business, writing off the purchase of goodwill in equal proportions to amount of capital invested.

Ref. 17-3

[illegible]

[illegible]

[illegible]

Gravity water and services rendered to........ [illegible]

[illegible]

[illegible]

[illegible] of capital invested.

Oct. 1943

PROBLEM NO. 39.

(N.Y. C.P.A. Examination)

Smith & Jones are partners, drawing equal amounts for services and sharing profits according to capital invested, after allowing 5% on capital. They require additional capital and arrange to admit the manager to the firm, he to acquire a one quarter interest in the business. According to the balance sheet Smith has $12,000 and Jones $6,000 invested, and good-will is valued at $6,000. What sum must the manager contribute? How will the partnership accounts appear after payment into the firm of the new capital? How will profits be divided in the future? Show accounts in skeleton form.

Ref. 16-4

PROBLEM NO. 40.

(N.Y. C.P.A. Examination)

Henry White has been engaged at a salary of $40 a month to take charge of the branch store of James Hawkins in Lynbrook. The following are the assets and liabilities of the branch store on the day White assumes charge: cash $275, merchandise on hand $2,990, notes receivable $180, accounts payable $340, notes payable $210.

At the end of 15 months White offers to purchase one-half interest in the branch store and to pay therefor a sum equal to 50% of Hawkins's net capital as shown by the books. From the following facts make up a profit and loss account and a statement showing (a) Hawkins's net profit, (b) Hawkins's net capital, (c) amount to be paid by White to Hawkins:

Mdse. bought $3,450, insurance paid $162.50, expenses paid $135, rent paid $300, mds. sold $5,905, value of furniture on hand $90, mdse. inventory $3,245, salary paid to White $500, accounts receivable due $475, notes receivable $325, due creditors on open account $375, due on notes $290, interest paid $12.50, interest received $10, value of unexpired insurance premiums $55, withdrawals by Hawkins during period $200.

Ref. 12-3

PROBLEM NO. 41.

(N.Y. C.P.A. Examination)

S and T began business August 1, 1899, S investing $8,000 and T $5,000, gains and losses to be shared equally and no interest allowed on investments or charged on withdrawals. The firm dissolved May 1, 1900. The books had been kept in a haphazard fashion but the partners agreed to the following statement which was submitted for settlement: net debit of S $2,100; net credit to T $3,500; cash on hand $3,400; 10 shares bank stock (market value $1,100); expense debit $5,100; profit and loss debit $3,000, credit $500. The bank holds the firm's note for $2,000 on which there is accrued interest $60.

Prepare a statement showing the settlement of the partnership affairs of the firm.

Ref. 45-3

PROBLEM NO. 42.

(N.Y. C.P.A. Examination)

The firm of X & Z began business on January 1, 1915, the terms of the partnership contract specifying that no interest was to be credited on investments or charged on withdrawals and all profits or losses were to be shared equally. X invested $24,000 and Z $15,000.

On November 30, 1917, the partnership was dissolved and, as the books had not been properly kept, the following statement was submitted to the partners as a basis for settlement and agreed to by them: cash $14,200; net debit of X $6,300; expenses $15,300; net credit of Z $10,500; profit and loss debit $9,000; credit $1,500; real estate having an estimated market value of $3,300; the bank holds firms six months' 6% note for $10,000, due January 31, 1918, 1918, on which interest is unpaid.

Z liquidated the assets and liabilities and in due course sold the real estate for $4,000 and paid off the note when due.

Prepare the partners' accounts as of November 30, 1917, and as of the close of liquidation, and a balance sheet as of November 30, 1917.

Ref. 50-3

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

PROBLEM NO. 43.

(N.Y. C.P.A. Examination)

Three partners contribute capital as follows: X $90,000, Y $45,000, Z $15,000. They share profits in the proportion of X 50%, Y 30%, Z 20%. X's salary is $5,000, Y's salary is $3,000, Z's salary is $2,000. At the end of their fiscal period Z dies. The books are closed and the net assets ascertained to be $152,500. X and Y liquidate the firm's affairs and distribute the surplus assets quarterly as follows:

First quarter,..................	$42,410.20	
Second quarter,..................	74,622.30	
Third quarter....................	31,967.50	$149,000

Prepare a statement of the partners' accounts, showing how the distribution of assets should be made, together with the apportionment of the loss. Give your authorities.

Ref. 43-6

PROBLEM NO. [illegible]

[illegible]

Three partners contribute capital as follows: X [illegible], Y [illegible], Z [illegible],000. They share profits in the [illegible] of X [illegible], Y [illegible], Z [illegible]. X's salary is $[illegible],000, Y's salary is $[illegible], Z's salary is $[illegible],000. At the end of their fiscal period [illegible] the books are closed and the net assets [illegible] to be $[illegible]. X and Y liquidate the firm's affairs and distribute the surplus assets quarterly as follows:

First quarter..................	$[illegible]
Second quarter	[illegible]
Third quarter..................	[illegible]

Prepare a statement of the partners' accounts, showing the distribution of assets should be made, together with the apportionment of the loss. Give your authorities.

[illegible]

PROBLEM NO. 44.

(N.Y. C.P.A. Examination)

Three partners invest capital as follows: A $100,000, B $60,000, C $40,000., On this basis of capital investment which is to remain intact, they share profits and losses in the proportion of A 47-1/2%, B 27-1/2%, C 25%, in addition to specified salaries.

At the end of the year the partnership terminates with a loss of $10,000, which includes the salaries drawn by the partners. It appears that C had drawn against prospective profits to the amount of $5,000, and thereby inpaired his capital investment by said amount. They discontinue business and proceed to liquidate and distribute the surplus assets monthly as realized. C engages in other business, leaving A and B to attend to the realization and liquidation of the firm's affairs. A and B jointly are to charge C 5% for collecting and paying to him his share in the surplus assets.

The amounts collected monthly, less liabilities liquidated and expenses and losses on realization (exclusive of the 5% collection charged to C, the amount of which is to be equally divided between A and B), are as follows:

First month,	$30,250.50	
Second month,	30,490.75	
Third month,	60,890.25	
Fourth month,	58,725.10	
Fifth month,	6,717.68	
Last month,	4,425.72	$181,500.00

Prepare partners' accounts showing the amounts payable monthly to each without prejudice to the rights or individual interests of the others.

Ref. 1-4

PROBLEM NO. 45.

(From Examination Given by American Institute of Accountants)

A, B, and C were in partnership, A's capital being \$90,000.00, B's \$50,000.00, and C's \$50,000.00. Their agreement is to share profits in the following ratio:
A, 60%; B, 15%; C, 25%. During the year C withdrew \$10,000.00. Net losses on the business during the year were \$15,000.00 and it is decided to close out the business. It is uncertain how much the assets will ultimately yield altho none of them is known to be bad. The partners therefore mutually agree that as the assets are liquidated, distribution of cash on hand shall be made monthly in such a manner to avoid, so far as feasible, the possibility of paying to one partner cash which he might later have to repay to another. Collections are made as follows:
May, \$15,000.00; June, \$13,000.00; July, \$52,000.00. After this no more can be collected. Show the partners' accounts, indicating how the cash is distributed in each instalment, the essential feature in the distribution being to observe the agreement given above.

PROBLEM NO. 46.

(N.Y. C.P.A. Examination)

A partnership on equal terms between A and B is dissolved July 1, 1897, the books on that date showing the following:

A's capital paid in was \$16,000, and his drawings were \$3,500; B's capital paid in was \$2,000, and his drawings were \$1,500. Goods purchased \$50,000; sales \$40,000; business expenses \$1,800. A loss of \$1,600 was made on a \$5,000 consignment of goods to Liverpool. In the settlement A agrees to pay B an old debt of \$3,500. Prepare requisite accounts, and show final balance payable by one partner to the other.

Ref. 4-6

(From Examination Given by American Institute of Accountants)

A, B and C were in partnership, [illegible] capital being [illegible], B's $50,000.00, [illegible]. Their agreement [illegible] to share profits [illegible] A, [illegible]; B, 15%; C, 25%. During the year C withdrew $10,000.00 [illegible] losses on the business during the year were $[illegible],000.00 and it is decided to close out the business. [illegible] the assets will ultimately [illegible] [illegible]

[illegible]

A partnership on equal terms between A and B is dissolved July 1, 19[illegible], the books on that date showing the following:

A's capital paid in was $[illegible], and his drawings were [illegible]; B's capital paid in was [illegible], and his drawings were [illegible]. Goods purchased $50,000; sales $[illegible]; expenses [illegible]. A loss of $[illegible] was made on a $[illegible] consignment of goods to Liverpool. In the settlement A agrees to pay B the old sum of $[illegible]. Prepare partnership accounts, and show final settlement [illegible]

JOINT VENTURES AND CONSIGNMENTS

PROBLEM NO. 47.

(N.Y. C.P.A. Examination)

A, B and C agree to purchase and sell coffee for their joint account.

They purchase 3,000 bags of coffee for $58,500, and one month thereafter sell the same at 16 cents per lb., (say 130 lbs. to the bag). The warehouse charges, labor, cartage, weighing, brokerage, etc. amount to $600.

A contributes cash,..................................			$20,000.00
B contributes note at 4 months,..	$19,000.00		
Discount at 6% on same,..........	?		?
C contributes cash,..........................		$18,900.00	
C contributes note at 3 months,..	$ 2,500.00		
Discount at 6% on same,..........	?	?	?
			$59,982.50

It was arranged that each should contribute equally to the requisite purchase money, in default of which, interest at 6% per annum for the month covering the transaction was to be calculated between them, to equalize their respective contributions.

Prepare an account of the venture; also separate accounts of A, B and C, showing the share of each in the final net proceeds.

Ref. 1-6

JOINT VENTURES AND CONSIGNMENTS

PROBLEM NO. [illegible]

([illegible])

A, B and C agree to purchase and sell coffee for their joint account.

They purchase 3,000 bags of coffee for $[illegible],500, and one month thereafter sell the same at 12 cents per lb., (say 100 lbs. to the bag). The warehouse charges, labor, cartage, weighing, storage, etc. amount to [illegible].

A contributes cash,.. $[illegible],[illegible].00
B contributes note at [illegible] days,... $[illegible].00
Discount at 6% on same,............ ?   ?

C contributes cash,..................................$12,500.00
C contributes note at 3 months,... $ [illegible].00
Discount at 6% on same,............ ?   ?   ?

It was arranged that each should contribute equally to the requisite purchase money, in default of which, interest at 6% per annum for the month covering the transaction was to be calculated between them, to equalize their respective contributions.

Prepare an account of the venture; also separate accounts of A, B and C, showing the share of each in the final net proceeds.

PROBLEM NO. 48.

(N.Y. C.P.A. Examination)

A of New York, B of Chicago, and C of San Francisco enter into an agreement to buy and sell for joint account, each to receive 1% on his purchases and 3% on his sales, as commission, and to share equally in the net profits, usual interest at 6% (360 days to the year) to accrue on all values after due date.

March 1 A buys goods amounting to $3,989.50 and consigns same to B, who renders account sales for $4,656, net proceeds due April 15.

March 15 B buys goods amounting to $5,050 and sells same, rendering account sales to A and C, net proceeds $4,365, due May 20.

April 1, C buys goods amounting to $6,060 and consigns half each A and B. A renders account sales for $3,783, net proceeds due July 1, to each, B and C. B renders account sales for $2,813, net proceeds due June 10, to each, A and C.

Above purchases include 1% commission, and the net proceeds are the gross amount of sales, less the 3% commission, selling charges, etc.

Frame the necessary journal entries and prepare the accounts of A, B and C, as these accounts would appear on the ledger of A, B or C.

Ref. 2-4

PROBLEM NO. 49.

(N.Y. C.P.A. Examination)

A and B buy merchandise to the amount of $4,000, A contributing $2,500 and B $1,500. They sell to C a 1/3 interest in the business for $2,000. How much of the $2,000 will A and B receive, respectively, in order to make A, B and C equally interested?

Ref. 6-3

PROBLEM NO. 50.

(N.Y. C.P.A. Examination)

For the purpose of making a joint speculation, A contributes $3,000, B $2,000 and C $1,000, and they agree to share the profit or loss in proportion to the amounts contributed. October 15, 1900, A deposited the $6,000 with his broker, giving instructions to buy 300 shares New York Central and 300 shares Chicago, Burlington & Quincy.

The order was executed October 16, 1900, New York Central at 130-5/8 and Chicago, Burlington & Quincy at 127.

April 10, 1901, the stocks were sold as follows: New York Central at 151-1/4, Chicago, Burlington & Quincy at 191-1/2. A received a check from his broker to close the account.

State how much A owes to B and C for their respective interests in the deal, and prepare the account as rendered by the broker, calculating interest at 6% (365 days to the year), commission at 1/8% and revenue tax at $2 for each 100 shares.

Ref. 10-5

PROBLEM NO. 51.

(N.Y. C.P.A. Examination)

Blackman & CO. of New York agree with Whittaker & CO. to ship on joint account a car load of goods on consignment to Seattle. The invoice price of the goods is $4,000 less 5%. Blackman & Co. pay the hauling, insurance and freight charges amounting to $200 and give to Whittaker & Co., March 1, 1905, a sight draft on the consignees for $2,000 as part payment for the goods. On May 1, 1905, Blackman & Co. receive an account sales from the consignees and their check for $6,000 as the net proceeds of the consignment. They then pay Whittaker & CO. the balance due them. Interest is calculated at 6%.

Prepare joint consignment account and the account to be rendered by Blackman & CO. to Whittaker & CO.

Ref. 20-5

PROBLEM NO. 60.

(N.Y. C.P.A. Examination)

For the purpose of making a joint speculation, A contributes $3,000, B $2,000 and C $1,000, and they agree to share the profits or loss in proportion to the amounts contributed. October 11, 1905, A deposited the $6,000 with his broker, giving instructions to buy 300 shares New York Central and 300 shares Chicago, Burlington & Quincy.

The trade was executed October 11, 1905, New York Central at 150-3/8 and Chicago, Burlington & Quincy at 197.

April 10, 1906, the shares were sold as follows: New York Central at 154-1/4, Chicago, Burlington & Quincy at [illegible]. A received a check from his broker to close the account.

State how much A owes to B and C for their respective interests in the deal, and prepare the account as rendered by the broker, calculating interest at 6% (365 days to the year), commission at 1/8% and revenue tax at $2 for each 100 shares.

Ref. 10-5

PROBLEM NO. 61.

(N.Y. C.P.A. Examination)

Blackman & Co. of New York agree with Whittaker & Co. to ship on joint account a car load of goods on consignment to Seattle. The invoice price of the goods is $4,000 less 5%. Blackman & Co. pay the cartage, insurance and freight charges amounting to $300 and give to Whittaker & Co., March 1, 1905, a sight draft on the consignees for $2,000 as part payment for the goods. On May 1, 1905, Blackman & Co. receive an account sales from the consignees and their check for $5,500 as the net proceeds of the consignment. They then pay Whittaker & Co. the balance due them. Interest is calculated at 6%.

Prepare joint consignment account and the account to be rendered by Blackman & Co. to Whittaker & Co.

Ref. 20-5

PROBLEM NO. 52.

(N.Y. C.P.A. Examination)

On April 30, 1911, St. John & Co. and Carpel Bros. enter into a joint venture agreement. They each contribute $4,000 with which they pay for goods that are shipped on May 1 to John Doe of San Francisco. St. John & Co. advance $400 to defray freight and incidental expenses. John Doe, the consignee, is allowed 10% on the cost of the goods and is to sell them at whatever price he can obtain for them.

On June 1, 1912, on the strength of a report sent by wire, Carpel Bros. draw at sight on John Doe for $4,000 to the order of Carl Peter of New York. On July 1, 1912 St. John & Co. receive from the consignee a check for $11,200, all the goods being sold; on the same day St. John & Co. settle with Carpel Bros. Interest at 6% is allowed on all the transactions affecting the partners in the venture.

Prepare all the ledger accounts brought about by the above, on the books of St. John & Co., including a joint venture account. (Construct your ledger accounts in such a manner that they will explain fully what took place, and make a cross reference possible.)

Ref. 33-6

PROBLEM NO. 53.

(N.Y. C.PA. Examination)

X and Y purchase an invoice of coffee for $12,000. X contributes $7,500, and Y, $4,500. They sell Z one-third interest in the venture for $6,000. How much of the $6,000 should X and Y receive, respectively, in order to make X, Y, and Z equally interested?

Ref. 37-5

PROBLEM NO. 10.

(Joint Venture)

On April [illegible], 1912, [illegible] John & Co. and Hazel Bros. enter into a joint venture agreement. They each contribute [illegible] with which they buy the goods that are shipped on May 1 to [illegible] San Francisco. [illegible] John & Co. expend [illegible] for freight and incidental expenses. John & Co., the consignees, is allowed 10% on the cost of the goods and is to sell them at whatever price is obtainable for them.

On June 1, 1912, on the strength of a report sent by Hazel Bros. draws at sight on John & Co. for [illegible] to the order of [illegible] of the [illegible] Bank. On July 1, 1912 [illegible] John & Co. [illegible] from the [illegible] for [illegible], the goods being sold [illegible] on the same day [illegible] John & Co. settle with Hazel Bros. Interest at 6% is allowed on all the transactions affecting the partners in the venture.

Prepare all the ledger accounts brought about by the above, on the books of [illegible] John & Co., including a joint venture account. Construct your ledger accounts in such a manner that they will explain fully what took place, and [illegible] possible.

[illegible]

PROBLEM NO. 11.

(Joint Venture)

X and Y purchase on joint account [illegible]. X [illegible] Y [illegible] X [illegible] in the venture [illegible] X and Y respectively. [illegible] X, Y and Z [illegible]?

[illegible]

PROBLEM NO. 54.

(N.Y. C.P.A. Examination)

Plant & Company and Edwards & Company ship merchandise to South America on joint account. Edwards & Company gave Plant & Company $1,200 in cash and their acceptances at six months for $3,000. Plant & Company were to provide balance of cash required, to manage the venture and to receive a commission of 2% on amount of invoice for merchandise. Profits to be divided equally.

Plant & Company paid Smith & Greer for merchandise $5,000, and discounted Edwards & Company's acceptances for $3,000, at 2% discount. Plant & Company prepaid freight $420, insurance $60. In due time Plant & Company received from South America an account sales for merchandise and a draft for the net proceeds, payable in London for $3,200, out of which Plant & Company paid $3,000 to retire bills for that amount.

Later Plant & Company received a draft for $3,100, being balance of proceeds of sale of merchandise. The joint account with Edwards & Company was closed and a check for the balance due them was paid to Edwards & Company.

Prepare a statement showing details of the joint account, also a statement of Edwards & Company's account.

Ref. 39-4

PROBLEM NO. 55.

(N.Y. C.P.A. Examination)

Bowling, Green & Co. of New York, consign goods to A and B in Havana Cuba, rendering with each shipment a pro forma invoice in which the goods are charged at prices in excess of the cost, the cost of freight, insurance, etc. being added. Accounts sales are received from time to time, the net proceeds being remitted by drafts.

Show how the following transactions would appear in Bowling, Green & Co.'s ledger:

a Shipment of goods Jan. 1, 1902, and invoice rendered to A & B of Havana, for $9,850, as follows:

Merchandise, ...	$9,000
Freight, ...	700
Insurance, ...	150
Total, ...	$9,850

The cost of these goods was $8,700.

b Account sales received Mar. 15, 1902, for part of the consignment, showed gross proceeds $5,400, less dock and other expenses, including commission, $150. This account was accompanied by a 60 day draft for $5,250.

c Account sales received June 16, 1902, for balance of the consignment, showed gross proceeds $5,660, less dock and other expenses, including commission, $175, and was accompanied by a 90 day draft for $5,485.

Ref. 14-6

PROBLEM NO. 56.

(N.Y. C.P.A. Examination)

Jones & Co. consign to Smith & Co. to be sold for their account 5,000 bushels of potatoes. The consignees pay freight and cartage $200, and make sales as follows:

1,000	bu.	@ 75¢	a	bu.
1,000	b"	@ 76¢	a	".
1,000	"	@ 74¢	a	"
1,000	"	@ 77¢		"
1,000	"	@ 80¢		"

A charge of 5% commission is made on the sales and the check for balance is sent with account sales.

Show ledger accounts in books of consignor and consignee.

Ref. 18-6

PROBLEM NO. 57.

(N.Y. C.P.A. Examination)

December 1, 1905, a New York merchant ships goods of the value of $5,000 on consignment to a commission merchant at Rio de Janeiro, insuring them in the Atlantic Mutual against loss or damage in transit and prepaying freight and insurance amounting to $250. On arrival the goods are found to be in a partially damaged condition and the loss is adjusted at $1,000, the certificate for which the consignee transmits to the consignor together with an account sales for $3,000 dated March 1, 1906, and a final account sales for $2,000 dated April 1, 1906. A draft on New York for $4,300 accompanied this final account, being being the balance due after deducting duty paid commission earned.

Give expression to these transactions on the books of the consignor.

Ref. 30-4

PROBLEM NO. 58.

(N.Y. C.P.A. Examination)

A ships to B on consignment, under date of April 4, merchandise to the value of $1,500, paying $15 cartage and $6 insurance.

B receives the consignment April 20, paying freight $70 and cartage $12. He subsequently disposes of the mechandise by sales as follows: April 30, $400; May 30, $800; June 30, $600, on which latter he pays storage charges $30. He charges commissions on sales 5%, credits net interest at 6% and transmits account sales with remittance of net proceeds to A, who receives them July 10.

Prepare shipment account as preparing on A's ledger and consignment account as appearing on B's ledger.

Ref. 25-5

PROBLEM NO. 59.

(N.Y. C.P.A. Examination)

X shipped a consignment of merchandise valued at $3,750 to Y under date of August 4, X paying $37.50 cartage and $15 insurance. Y received the goods on August 20, paying freight $175 and cartage $30. He sold the merchandise as follows: August 30, $1,000; September 30, $2,000; October 30, $1,500; on which latter he paid storage charges $75. Y charged 5% commission on sales and credited net interest at 6%. He forwarded an account sales with remittance of net proceeds to X, who received them November 10.

Prepare shipment accounts as appearing on X's ledger and consignment accounts as appearing on Y's ledger.

Ref. 40-6

PROBLEM NO. 60.

(N.Y. C.P.A. Examination)

The X Company of New York City decide to start Archer and Brown, two trusted employees, in business in Buffalo, N.Y. under the firm name of Archer and Brown.

The X Company shipped a consignment of merchandise to the new firm on January 1, 1914, On January 1, 1915, Archer and Brown mailed a trial balance of their affairs to the X Company to reconcile their mutual accounts.

TRIAL BALANCE OF ARCHER & BROWN
JANUARY 1, 1915

Account receivable,.....	$ 37,962	X Company,........	$ 25,000
Expenses,...............	8,840	Sales account, net	
Remittance account,.....	60,000	balance,........	91,872
Cash,..................	18,070	Archer,...........	4,000
		Brown,............	4,000
	$124,872		$124,872

Inventory,............ $ 18,730.

Furnish the required statement.

Ref. 42-4

PROBLEM NO. 61.

(N.Y. C.P.A. Examination)

Adam and Craig receive merchandise from Goodwin, Allen and Company who furnish a memorandum bill at cost, instructing Adam and Craig to add 10 per cent to cost for selling price. Adam and Craig receive jointly $8,000 salaries. At the end of the fiscal period the following trial balance is furnished; prepare a statement of accounts between the parties:

Cash advanced,..............................		$ 4,000.00
Expenses,...........................	$ 1,400.00	
Accounts receivable,................	92,000.00	
Remittance account,.................	41,400.00	
Goodwin, Allen and Company,........		250,000.00
Salaries,...........................	6,200.00	
Cash,...............................	5,500.00	
Inventory and profit,...............	120,454.55	
Profit on sales,....................		12,954.55
	$266,954.55	$266,954.55

InvenInventory,......................... $107,500

Ref. 46-4

PROBLEM NO. 62.

(Ohio C. P. A. Examination)

The following is a preclosing trial balance as at December 31, 1913, prepared from the ledger of Messrs. Joseph & Johnson, commission merchants:

	Debits	Credits
A. B. Joseph - Capital Account		$ 50,000.00
C. D. Johnson - Capital Account		50,000.00
Cash	$293,719.52	281,388.10
Customers	215,720.60	195,625.30
Buckeye Worsted Mills Consignment Sales	215,720.60	215,720.60
Freight and Cartage	18,652.70	10,362.60
Commissions		21,572.06
Discount Allowed	1,905.78	
Buckeye Worsted Mills Current Account	50,000.00	62,982.41
General Expenses	10,000.00	
Buckeye Worsted Mills Advances	202,735.40	120,803.53
Totals	$1,008,454.60	$1,008,454.60

The bookkeeper is seriously ill, and the firm of C. P. & A. (by whom you are employed as a senior accountant) has been requested to prepare from this data - without an audit of the books - a balance sheet, and to determine what the profits or losses for the year have been.

Mr. Johnson, one of the partners, brought this trial balance to the office, and furnished the following additional facts:

The firm started business January 1, 1913, with a cash capital of $100,000.00, of which each partner contributed one-half.

The firm does business with the Buckeye Worsted Mills, under a contract whereby it handles, on consignment, the product of the Buckeye Worsted Mills exclusively. The contract provides for an advance to the mills of 70% of the billed value upon shipment of the goods from the mills. All sales are made at an advance of 25% over billing price of the mills, and settlements for sales are made with the mills monthly, less a 10% commission, less freight and cartage on the goods sold, and less the advances made on the goods sold. The shipments made during the year amounted, at billing price of the mills, to $289,622.00.

Your principal also furnishes you with the following explanations concerning the operation of two of the accounts shown on the trial balance:

[illegible]

Buckeye Worsted Mills - Consignment Sales

This account is credited with sales and debited with the monthly settlements.

Freight and Cartage

The debits in this account measure the freight and cartage paid on shipments made to the firm, and the credits measure the deductions for freight and cartage made in the settlements with the mills:

You are asked to submit:

(a) Ledger accounts exhibiting in summary form the entries for the year's transactions, each entry in the several ledger accounts cross-indexed by number so as to identify the same with the contra debit or credit in another ledger account.

(b) A statement of the profits or losses.

(c) A balance sheet as at December 31.

(d) The value of the consigned goods unsold at the billing price of the mills.

PROBLEM NO. 63.

(N.Y. C.P.A. Examination)

John Does, a manufacturer's agent who starts in business with a cash capital of $15,000, receives from the manufacturer $45,000 worth of goods on consignment, subject to a discount of 5% when he pays for the goods.

Doe pays freight amounting to $1,400 and allows claims for damaged goods amounting to $1,500, the total of which is chargeable to the manufacturer. He sells all of the consigned goods for a total of $60,000 and receives $44,000 from his customers, allowing them in settlement of the accounts $400 discount and $600 for defective goods. He makes the following payments: $2,100 for freight, of which $1,400 is chargeable to the manufacturer as noted above, and $900 for expenses; he also pays the manufacturer $37,950.

Prepare account of sales to be rendered to the manufacturer, balance sheet, statement of profit and loss and statement of capital account.

Ref. 48-6

PROBLEM NO. 64.

(Illinois C. P. A. Examination.)

A. J. Andrews has conducted a retail business for three years. His profits have been \$7,000.00 for 1913, \$8,000.00 for 1914, and \$10,000.00 for 1915 before charging any salary for his own services. In order to obtain the capital needed to purchase the new fixtures necessary in a new store which he proposes to lease, and also to increase his stock of merchandise, he decides to incorporate on December 31, 1915, for \$50,000.00 and to sell part of the capital stock.

C. F. Martin agrees to purchase \$20,000.00 of the stock at par and to pay for it immediately. It is also agreed that in the new corporation Andrews is to be allowed credit for goodwill equal to the sum of his profits for the past three years after deducting an annual salary of \$4,000.00.

Draft the journal entries necessary to adapt Andrews' books for use as the books of the corporation, and prepare a balance sheet showing the conditions as completed.

Andrews presents the following list of assets and liabilities which Martin accepts as correct:

ASSETS

Furniture and Fixtures: Book value, \$6,000.00;
worth, \$4,000.00
Merchandise: Market value, \$20,000.00, cost, \$18,000.00
Accounts Receivable: Book value, \$6,500.00,
Collectable, \$6,000.00
Cash, \$400.00

LIABILITIES

Trade Creditors: \$8,900.00
Bank Loans: \$1,500.00

(N.Y.. C.P.A. Examination)

A buys a gas business at receiver's sale, taking over the entire plant, subject to a bonded indebtedness of $9,500. A sells the same to the B Gas company, incorporated under the laws of the State of New York for the purpose of acquiring this property from him, and having an authorized capital of $30,000, divided into 300 shares of $100 each. C, D and E subscribe each for one share of the capital stock of the company, and the company purchases the property from A for 297 shares and assumes the bonded indebtedness stated.

On making and appraising an inventory of the property for the purpose of distribution to proper accounts, the following conservative values, exclusive of good will, franchise rights, etc., are ascertained:

Land..	$ 2,000.00
Buildings..	6,000.00
Coal-gas plant, machinery and fittings.............	3,800.00
Water-gas plant, machinery and fittings............	6,000.00
Mains..	27,000.00
Meters...	1,200.00
Supplies...	1,500.00
Office furniture and fix tures......................	300.00
Sundry other items...................................	1,200.00
	$49,000.00

Frame the necessary entries to open the company's books and show the capital stock and the fixed assets on the face of the ledger. Prepare a balance sheet.

Ref. 1-3

PROBLEM NO. 66.

(N.Y. C.P.A. Examination)

A company having assets consisting of real estate $50,000, plant and machinery $75,000, book debts $36,000, stock on hand $42,000 and liabilities consisting of bills payable $10,000, transfers its entire business January 1, 1896, to a joint stock Co. for $75,000 in bonds, $75,000 in preferred stock and $75,000 in common stock. Make the necessary opening entries for the above, and show how the ledger accounts would stand.

Ref. 3-4

PROBLEM NO. 67.

(N.Y. C.P.A. Examination)

A corporation is organized to conduct a manufacturing business with a declared capital of $2,000,000, divided into 20,000 shares of the par value of $100, of which 15,000 shares or $1,500,000 shall be preferred stock and 5,000 shares or $500,000 common stock. The corporation purposes to issue $500,000 in consolidated mortgage bonds to be used toward the purchase of sundry properties.. The amount of capital with which the corporation begins business is $50,000, being the proceeds of subscriptions for 500 shares preferred stock.

To carry out the purposes of said corporation, the real estate water power, machinery, goodwill, etc of certain existing corporations have been purchased at an appraised valuation of $2,000,000, viz. Diamond m'f'g Co. $200,000, Eureka m'f'g co. $300,000, Champion m'f'g co. $500,000 American m'f'g co. $600,000, Aetna m'f'g co. $400,000, and in payment full paid stock and bonds have been issued at par on a basis of 60% in preferred stock, 20% in common stock and 20% in bonds.

Material and supplies are to be paid for in cash when their value is determined.

Formulate the entry necessary to open the books of the new corporation.

Ref. 5-1

PROBLEM NO. 68

(N.Y. C.P.A. Examination)

The Domestic manufacturing company, organized with a capital stock of $5,000,000, one-half preferred stock and one-half common stock, sells five shares of common stock at par for cash. It issues to John Jones $1,500,000 preferred stock and $1,000,000 common stock in consideration of the assignment by him of certain patents, rights and contracts. Later, Jones agrees to surrender for valuable consideration to the treasurer of the Domestic mfg. Co. $1,000,000 common stock and $500,000 preferred stock. Still later, Jones agrees with the Domestic mfg. Co. to surrender $1,000,000 preferred stock and to take in lieu thereof $1,000,000 common stock. Jones makes a further agreement with the Domestic mfg. Co to deliver to it all the stock in the Blank mfg. Co., appraised at $350,000, and to pay the Domestic mfg. co. $150,000, for which he is to receive $500,000 in preferred stock of the Domestic mfg. co.

Illustrate by journal entries the necessary accounts to be opened on the books of the Domestic mfg. co. to show each step taken in the foregoing agreement.

Ref. 7-1.

PROBLEM NO. 69.

(N.Y. C.P.A. Examination)

Charles and Robert Wilson are copartners in a manufacturing business, trading under the firm name of Wilson Bros. Following is a statement of the firm's financial condition December 31, 1900:

Real estate and buildings	$165,000	Notes payable..	$ 4,000	
Machinery and fixtures...	39,000		2,000	$ 6,000
Horses, trucks and harness	4,500	Accounts payable......	$10,000	
Patents..................	1,500		10,000	
Stocks and materials......	20,000		10,000	
Notes and loans receivable..................	5,000		4,000	34,000
		Charles Wilson (capital)		150,000
Accounts receivable.......	15,000			
		Robert Wilson "		60,000
	$250,000			$250,000

A joint stock company under the corporate title of Wilson & Wilson, incorporated, is organized with a capital of $300,000, of which $60,000 is 8% cumulative preferred stock and $240,000 common stock (both $100 par value) to acquire and conduct the business of Wilson Bros. Charles and Robert Wilson and Henry Miller each subscribe for $10,000 of common stock. The company votes to acquire the interest of Charles and Robert Wilson in the business, real estate, plant, outstanding accounts etc. of Wilson Bros. and to assume the firm's indebtedness of $40,000, in consideration of the sum of $210,000, and to pay therefor 2,100 shares of the common stock of the corporation, 1,500 shares to be issued in the name of Charles Wilson and 600 shares in the name of Robert Wilson. The company votes to place a mortgage on its real estate and plant for $50,000 to secure an issue of $50,000 first mortgage 5% gold bonds of the denomination of $1,000 each. The creditors subscribe for preferred stock to the amount of 50% of the amounts due to them and take bonds at par for the remainder.

Make all entries for the foregoing transactions in the order of their occurrence, giving the details to be found in ledgers and all subsidiary books of account and record.

Ref. 11-6

[illegible]

PROBLEM NO. 70

(N.Y. C.P.A. Examination)

A firm selling out to a corporation has assets as follows: cash $500, bills receivable $1,200, accounts receivable $8,000, merchandise $2,000, fixtures $600. Its liabilities are bills payable $15,000, accounts payable $2,500. Its goodwill is valued at $5,000. The venders are to take capital stock of the corporation for their net interest in the business, inclusive of goodwill. They guarantee the bills and accounts receivable, and it is arranged that any items uncollected at the end of one year from the date of agreement are to be charged against the apparent net worth at the date of transfer. A note of $200 and an account of $800 remain on the books at the close of the year.

Open the books of the new corporation and make entries for final adjustment.

Ref. 15-4

PROBLEM NO. 71.

(N.Y. C.P.A. Examination)

A firm whose resources and liabilities are stated below is converted into a corporation.

ASSETS

Real estate and improvements	$64,500
Merchandise	15,500
Accounts receivable	5,400
Cash	2,600
	$88,000

LIABILITIES

Accounts payable	$ 7,800
Bills payable	25,000
Partners' accounts	55,200
	$88,000

The corporation receives all the assets except the cash, and assumes payment of the accounts payable but not of the bills payable. The real estate and improvements are taken over at a value of $100,000, and the goodwill is considered worth $20,000. The purchase price is to be paid as follows: $33,100 in cash, $50,000 in bonds and $50,000 in capital stock of the corporation. What entries are necessary to close the books of the firm and to open the books of the corporation?

Ref. 16-5

PROBLEM NO. 72.

(N.Y. C.P.A. Examination)

A corporation took over the business of an individual whose books showed him to be worth $125,000, for the sum of $200,000, payable $50,000 in bonds, $50,000 in preferred stock, $50,000 in common stock and the remainder in cash. The capital of the company was $100,000 preferred stock and $100,000 common stock, and bonds were issued for $100,000. According to the subscriptions the stock was to be paid in as follows: 10% on application, 40% in 30 days after allotment and 50% in three months thereafter. On the bonds 10% was to be paid on application and the balance in 30 days after allotment.

Make the necessary journal entries on the books of the company to cover these transactions in accordance with the statement following:

Property and plant....................	$75,000	
Raw material..........................	25,000	
Unfinished orders.....................	15,000	
Accounts receivable...................	25,000	
Cash..................................	10,000	
Accounts payable......................		$25,000

Make journal entries closing the books of the individual vendor.

Ref. 18-2

PROBLEM NO. 73.

(N.Y. C.P.A. Examination)

A owns a business that he wishes to enlarge and arranges with B to turn it into a corporation. It is mutually agreed that all customers' accounts shall be kept out of the deal but the new company is to undertake to collect them for A. A's indebtedness is to be paid out of this collection, or if it prove insufficient, A must make good the deficiency. For the purpose of this sale the merchandise on hand is valued at $25,000, the store building at $15,000 and the goodwill at $5,000. A is to receive in settlement cash $5,000 and the capital stock for the remainder. B is to invest a sum equal to that of A. The statement of A at the date of transfer shows:

Assets		Liabilities	
Real estate..........	$12,000	Accounts payable........	$ 5,000
Merchandise..........	30,000	Capital.................	45,000
Accounts receivable..	6,000		
Cash	2,000		
	$50,000		$50,000

At the end of 6 months an accounting is had between the corporation and A. Of the outstanding accounts $4,500 has been collected and applied toward liquidating the indebtedness. It is then agreed that the company shall take over the remaining uncollected accounts and assume the remaining liability on account of creditors of A.

Close the books of A in accordance with agreement of sale and subsequent arrangement. Open the books of the corporation. Show the entries in the books of the company as to its transactions for account of A at the time of forming the corporation.

Ref. 20-1

PROBLEM NO. 74.

(N.Y. C.P.A. Examination)

The Prosperous Company is organized under the laws of the State of New York to conduct a manufacturing business. The authorized capital is $500,000, divided into $250,000 common and $250,000 preferred stock, par value of shares $100. Five incorporators subscribe each for one share of common stock at face value. John Peters, one of the incorporators, purchases from three manufacturing companies their complete plants for $499,500 and transfers said plants to the Prosperous Company for the remaining $499,500 of common and preferred stock and $100,000 of first mortgage 5% bonds out of a total issue of bonds amounting to $150,000, leaving $50,000 of bonds in the treasury. The incorporators then pay in cash for their respective subscriptions.

The individual assets acquired are as follows: land and buildings $75,000; plant and machinery, $200,000; tools, equipment and fixtures $50,000; inventories $100,000; accounts receivable, good $28,000, doubtful $5,000; cash $12,000.

Prepare (a) opening entries for the books of the Prosperous Company, (b) initial balance sheet showing the company's financial condition.

Ref. 31-2

[illegible]

[illegible]

The Paramount Company is organized under the laws of the State of New York to conduct a manufacturing business. The capital is $500,000, divided into [illegible] common and [illegible] preferred stock, par value of shares [illegible]. [illegible] subscribe each for one share of common stock at [illegible]. [illegible], one of the incorporators, [illegible] three manufacturing companies their combined plants for [illegible] and transfers said plants to the Paramount Company for the remaining [illegible] of common and preferred stock and [illegible] of first mortgage 5% bonds out of a total issue of bonds amounting to $150,000, leaving [illegible] of bonds in the treasury. [illegible] the manufacturers [illegible] for their respective interests.

The individual assets acquired are as follows: land and buildings $75,000; plant and machinery $300,000; tools, equipment and fixtures [illegible]; inventories $100,000; accounts receivable, good $28,000, doubtful [illegible]; cash [illegible].

Prepare (a) opening entries for the books of the Paramount Company, (b) initial balance sheet showing the company's financial condition.

[illegible]

PROBLEM NO. 75.

(N.Y. C.P.A. Examination)

In accordance with the provision of a plan drawn by its prospective manager, a syndicate is created for the purpose of obtaining control of certain business interests at present organizing in a neighboring state. The members of the syndicate have in consequence contributed $1,500,000 in cash, which, pending developments, has been invested in railway bonds, acquired at par, and placed in the hands of a trustee.

In due course the trustee enters into an agreement with the A. K. Company, organized with an authorized issue of $3,500,000 of capital stock, of which 2,000 shares have already been subscribed to and paid for by incorporators and others. According to the terms of the agreement, the trustee is to deliver to the company the securities that he holds, plus $700,000 in cash, in exchange for the company's potential stock. In case, however, the trustee should fail to pay the cash into the company's treasury within thirty days, he is to return to the company two shares of stock for every $100 of cash not paid.

The members of the syndicate having failed to respond to the demand of the trustee for additional contribution, the syndicate is dissolved, and the trustee, unable to pay any cash, returns the stock to the company.

Simultaneously a second syndicate is formed under the same management. It contracts to purchase at par the securities held by the A. K. Company, in consideration of a bonus of three-fifths of the shares of stock surrendered by the first syndicate. Half of the purchase price is paid at once, the other half is payable one month later, i.e., June 30, 1911.

Prepare:
(a) The journal entries expressing the above facts on the books of the A. K. Company.
(b) The balance sheet of the company at May 31, 1911.

Ref. 34-3

PROBLEM NO. 76.

(N.Y. C.P.A. Examination)

A corporation is formed whose capital stock has no par value. Shares issued $1,000, assets $8,000, liabilities $4,000.

Prepare the journal entries to open the books.

Ref. 46-3

(N.Y. C.P.A. Examination)

The Blank Company was duly organized as a corporation under the laws of the State of New York, for the purpose of manufacturing and selling a staple article, with a capital stock of $28,000,000 consisting of 280,000 shares of the par value of $100 each; of the said capital $14,000,000 is preferred stock and $14,000,000 common stock.

To further the purposes of the corporation, the property, business, assets and goodwill of certain corporations, firms and individuals were purchased from Brown & Jones, bankers, at an agreed valuation. The total appraised valuation of the properties purchased was $24,000,000 for which the corporation was to pay $24,720,000, $12,360,000 in preferred stock and $12,360,000 in common stock which was issued.

Cash was received from sundry persons for subscriptions for 10 shares of common stock, $1,000, and to provide the company with working capital the several vendors subscribed for preferred stock to the amount of $1,000,000.

The remainder of the stock authorized to be issued, namely, $1,140,000 preferred and $1,139,000 common, is to be held for the purchase of further properties.

By the terms of sale the several properties were to be turned over clear of all liabilities. To enable the vendors to meet this requirement and pay the amounts subscribed for working capital, Brown & Jones agreed to underwrite such an amount of stock, issued in purchase, as might be required. At the last moment, however, Brown & Jones were unable to carry out their agreement, and therefore, to save the organization, the Blank Company assumed all of the underwriting agreements of Brown & Jones and carried them to completion. The amount of stock thus acquired from Brown & Jones was $2,700,000 preferred and $1,600,000 common, besides the amount issued them in purchase in excess of the appraised valuation. For the stock so acquired the Blank Company issued its notes for $850,000 on demand and $1,650,000 at one, two, three and four months.

There was received in cash on account of subscriptions to working capital $150,000, and the balance of $850,000 due on such subscription was met by the indorsement and surrender of the demand notes issued under the underwriting agreement.

Following its organization the company issued bonds to the amount of $2,000,000, the proceeds to be used in payment of its underwriting notes as they matured, and to furnish working capital. The bonds (par value $1,000) were sold at $900 cash, with a bonus of 25% preferred stock and 75% common stock. From the underwritten stock 1,000 shares of preferred have been sold for

(C.P.A. Examination)

The Blank Company was duly organized as a corporation under the laws of the State of New York, for the purpose of manufacturing and selling a staple article, with a capital stock of $25,000,000 consisting of 250,000 shares of the par value of $100 each; of the said capital $14,000,000 is preferred stock and $11,000,000 common stock.

To further the purposes of the corporation, the property, business, assets and goodwill of certain corporations, firms and individuals were purchased from Brown & Jones, bankers, at an agreed valuation. The total appraised valuation of the properties purchased was $24,720,000 for which the corporation was to pay $24,720,000, $12,340,000 in preferred stock and $12,380,000 in common stock which was issued.

Cash was received from sundry persons for subscriptions for 10 shares of common stock, $1,000, and to provide the company with working capital the several vendors subscribed for preferred stock to the amount of $1,000,000.

The remainder of the stock authorized to be issued, namely, $1,140,000 preferred and $1,130,000 common, is to be held for the purchase of further properties.

By the terms of sale the several properties were to be turned over clear of all liabilities. To enable the vendors to meet this requirement and pay the amounts subscribed for working capital, Brown & Jones agreed to underwrite such an amount of stock, issued in purchase, as might be required. At the last moment, however, Brown & Jones were unable to carry out their agreement, and therefore, to save the organization, the Blank Company assumed all of the underwriting agreements of Brown & Jones and carried them to completion. The amount of stock thus acquired from Brown & Jones was $2,700,000 preferred and $1,600,000 common, besides the amount issued them in purchase in excess of the appraised valuation. For the stock so acquired the Blank Company issued its notes for $950,000 on demand and $1,650,000 at one, two, three and four months.

There was received in cash on account of subscriptions to working capital $150,000, and the balance of $950,000 due on such subscription was met by the endorsement and surrender of the demand notes issued under the underwriting agreement.

Following its organization the company issued bonds to the amount of $2,000,000, the proceeds to be used in payment of its underwriting notes as they matured, and to furnish working capital. The bonds (par value $1,000) were sold at 90 net, with a bonus of 25% preferred stock and 75% common stock. From the underwritten stock 1,000 shares of preferred have been sold for

cash at 75, with a bonus of 25% common.

Formulate the entries necessary to open the books of the company and to state properly the underwriting features, issuance of bonds, bonus, etc.

Ref. 15-1

PROBLEM NO. 78.

(N.Y. C.P.A. Examination)

It is proposed to organize for conducting a manufacturing business a small corporation based on certain rights and franchises owned by one of the proposed stockholders in the corporation. The amount of capital stock is to be $100,000. The owner of the rights and franchises agrees to transfer them to the corporation in consideration of $50,000 of the capital stock, though he believes them to be worth much more than that amount. The remainder of the stock is to be sold to produce working capital. Certain capitalists are to be approached for cash subscriptions to the capital stock, but it is uncertain what opinion they will hold concerning the enterprise, and it is desired to have the stock in the treasury in such form that it can be sold below par if necessary. What method would you suggest for accomplishing the object in view? Formulate the journal entries for opening the corporation books.

Ref. 8-1

[illegible] the entries necessary [illegible] the books of the [illegible] properly the [illegible]

[illegible]

[illegible] owner of the rights and franchise agrees to transfer them to the corporation in consideration of $50,000 of the capital stock [illegible] the stock is to be sold to procure working capital. [illegible] capital stock, [illegible] it is uncertain [illegible] to leave the stock in the treasury [illegible] it can be sold below par if necessary. What action would you suggest for [illegible] the object in view? [illegible]

[illegible]

PROBLEM NO. 79.

(N.Y. C.P.A. Examination)

Messrs Sharp & Flat partners, engaged in manufacturing, decide to form a business corporation under the laws of New York, under the name of The Sharp & Flat Manufacturing Company, having an authorized capital of $100,000. The corporation, in consideration of the entire issue of capital stock, purchased all of the assets and assumed all of the liabilities of the partnership as shown by the following balance sheet dated May 31, 1900. Sharp & Flat take all the stock except five shares, par value $100 each, issued to incorporators for cash subscriptions.

BALANCE SHEET - MAY 31, 1900

ASSETS

Plant and machinery	$35,000
Stock on hand per inventory	20,525
Accounts receivable	22,750
Bills receivable	1,500
Cash	5,225
Total assets	$85,000

LIABILITIES

Sharp's capital	$42,500
Flat's capital	36,300
Accounts payable	5,250
Bills payable	700
Wages due and unpaid	250
Total liabilities	$85,000

During the first year of the corporation's existence, the books were kept in the same manner as during the partnership. Soon after the end of the first fiscal year however a certified public accountant was presented with the following trial balance showing the condition of the books May 31, 1901, and was requested to open a new set of books for the corporation, covering the operations of the business during the past year and to prepare therefrom an income and profit and loss account and balance sheet.

TRIAL BALANCE - MAY 31, 1901

Sharp's capital		$42,500
Flat's capital		36,300
Plant and machinery	$ 37,500	
Stock on hand per inventory May 31, 1900	20,525	
Sales		131,405
Purchases: materials and supplies	48,000	

[illegible] C Flint [illegible] [illegible]

[illegible] of the Sharp & Flint [illegible]

[illegible] capital of [illegible]

[illegible] the entire issue of [illegible]

[illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Cash	[illegible]

[illegible]

[illegible] capital	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]

During the first [illegible] [illegible] [illegible] [illegible]

[illegible] 31, 1941

[illegible]

Labor	$34,500	
Office salaries	7,000	
Traveling expenses	2,400	
Interest	600	
Stationery and printing	175	
Rent and taxes	4,200	
Discounts and allowances	2,250	
Fuel	4,600	
Insurance	175	
Freight (inward)	1,750	
Commission	6,375	
Advertising	500	
Bills receivable	6,115	
Bills payable		$ 1,100
Accounts receivable	36,115	
Accounts payable		7,850
Cash	6,375	
	$219,155	$219,155

Draft the opening journal entries necessary to give effect to the above, prepare an income and profit and loss account and a balance sheet as at May 31, 1901.

Write off (a) depreciation 5% on plant and machinery, (b) unexpired insurance $75, (c) bad debts, (d) inventory stock on hand May 31, 1901, $19,605.

Ref. 14-1

PROBLEM NO. 80.

(American Institute of Accountants, Examinations)

The following is the balance sheet of the A. B. Company, January 1, 1915:

ASSETS

Cash	$52,864.00
Accounts Receivable	197,425.00
Inventories.	
Raw Material	84,268.00
Finished Goods	31,597.00
Office Furniture and Fixtures	7,500.00
Land	180,000.00
Buildings	150,000.00
Machinery	250,000.00
	$953,654.00

LIABILITIES

Accounts Payable	$ 35,482.00
Dividends Payable - Preferred Stock, 2/1/15	7,500.00
Dividends Payable - Common Stock, 2/1/15	10,000.00
Mortgage Bonds- 20 Years 6%, dated Jan. 1, '15	100,000.00
Premium on Bonds	5,000.00
Capital Stock - Preferred	250,000.00
Capital Stock - Common	500,000.00
Reserve for Bad Debts	4,718.00
Surplus	40,954.00
	$953,654.00

The transactions for year ending January 1, 1916, have been as follows:-

Cash Received from Customers	$793,501.00
Rent Received	600.00
Purchased 1,232,000 lbs. raw material @ 20¢ per lb.	
Sales	823,334.00
Discounts and Allowances on Sales	23,519.00
Bad Debts Written Off	2,143.00

Disbursements have been made for:

Accounts Payable	$ 243,356.00
Factory Expense	7,489.00
Factory Labor	351,426.00
Factory Repairs	23,843.00
Office Expense	1,927.00
Selling Expense	52,914.00
Salaries	58,471.00
Taxes	7,853.00

Inventories, January 1, 1916.
Raw material, 412,596 lbs., having a market value of 22¢ per lb. and finished goods, $30,842.00. The land is estimated to be worth $200,000.00. Semiannual dividends of 3% on preferred and 2% on common, declared in June and December, payable August 1 and February 1. Reserves for depreciation of buildings 3%; machinery, 5%; Office fixtures 10%. Bad and doubtful debts reserve should be 2% of accounts receivable.

Prepare an operating statement and a balance sheet as on January 1, 1916.

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PROBLEM NO. 81.

(N.Y. C.P.A. Examination)

Senior partner A desires to retire from active business life. He has confidence in the ability and integrity of his partner B and both have a like regard for their sales manager C and their works manager D, who have accumulated considerable means. In this situation B proposes to Organize and to continue the business as a corporation, under his executive management, and to bring in sufficient capital from C and D in equal parts to pay off the principal of a real estate mortgage falling due at the end of the year, and sufficient capital from E, who is not connected with the business, to pay off the principal of the firm's notes payable. It is contemplated that E shall be made the treasurer of the corporation and that the five parties shall be the incorporators and constitute the first board of directors.

In the discussion between A and B it is agreed that the net worth of the business, exclusive of the good will which has never been represented on the books, shall be converted into preferred stock of the corporation and that the good will shall be valued at one-half the net worth and be converted into common stock; also that the cash capital contributed by C, D and E shall be paid to the firm, used by it for the purposes proposed by B and converted into preferred stock for account of the three parties respectively. Thereupon A proposes and agrees to surrender one-fourth of his share of the common stock on the condition that it shall be distributed as follows: two parts to C, two parts to D and one part to E.

These matters are all covered by written agreement of the five parties, in which agreement it is provided that A and B shall convey to the corporation all the property, business and good will of their copartnership, and that all the transactions and stock distributions provided for shall be carried through and be closed out in the books of the copartnership, including the sum of $5,000, which shall be advanced to the incorporators to pay fully their subscriptions for 10 shares each of the common stock of the corporation.

A certified public accountant is engaged to make an examination of the books and accounts at the close of the year just approaching, to procure appraisements of the property and to close the books after providing therein for his compensation. On the completion of his work the books show the following condition:

ASSETS

Land	$ 50,000
Buildings	200,000
Machinery, etc	100,000

PROBLEM NO. 31.

[illegible]

[illegible] partner A desires to retire from active [illegible] [illegible] dence in the ability and integrity [illegible] partners [illegible] have a [illegible] regard for their [illegible] C and [illegible] manager F, who have accumulated considerable [illegible]. In this [illegible] A proposes to organize and to [illegible] the business as a corporation, under its executive management, and to [illegible] C and D in equal [illegible] of a real estate mortgage [illegible] at the end of [illegible] capital [illegible] is not [illegible] the principal [illegible] that E shall [illegible] the five parties shall be the incorporators and constitute the first board of directors.

In the discussion between A and B it is agreed that the [illegible] of the business, exclusive of the good will which has [illegible] on the books, shall be converted into preferred [illegible] of the corporation and that the good will shall be valued [illegible] the net worth and be converted into common stock; [illegible] cash capital contributed by C, D and E shall be paid [illegible] used by it for the purposes proposed by A and received [illegible] preferred stock for account of the three parties respectively. [illegible] A proposes and agrees to [illegible] one-fourth of his [illegible] of the common stock on the condition that it shall be [illegible] as follows: two parts to C, two parts to D and one part [illegible]

These matters are all covered by written agreement of the five parties, in which agreement it is provided that A and B shall convey to the corporation all the property, business and good will of their copartnership, and that all the transactions and stock distributions provided for shall be carried through and be closed out in the books of the copartnership, including the sum of $5,000, which shall be advanced to the incorporators to pay [illegible] their subscriptions for 10 shares each of the common stock of the corporation.

A certified public accountant is engaged to make an examination of the books and accounts at the close of the year [illegible] [illegible] to prepare statements of the accounts and to close the books after providing therein for his compensation. On [illegible] [illegible]

[illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Machinery, etc.	100,000

Finished product, product in process, materials and supplies	$150,000	
Notes receivable	100,000	
Accounts receivable	100,000	
Cash	100,000	
Total assets		$800,000

LIABILITIES AND CAPITAL

Real estate mortgage	$100,000	
Accrued interest on real estate mortgage	2,500	
Notes payable on demand	50,000	
Accrued interest on notes payable	1,000	
Accounts payable	25,000	
Accrued taxes	6,500	
Reserve provision for uncollectable accounts	15,000	
A's capital	400,000	
B's capital	200,000	
Total liabilities and capital		$800,000

Prepare cash book and journal entries to be placed on the books of the copartnership to represent properly thereon the carrying out of all the matters provided for in the agreement of the five parties and to close said books.

Ref. 26-4

PROBLEM NO. 82.

(N.Y. C.P.A. Examination)

The patent Specialty Company was organized July 1, 1907, with a capital of $100,000.00, to manufacture novelties. The following transactions occurred:

July 1, 1907, one-half of capital stock was subscribed and issued, 10% being called and paid on that date in cash. Legal and other incorporation expenses, amounting to $500.00, were paid.

August 20, 1907, patent, covering novelty, was purchased for $50,000.00, payable one half in stock and one-half in cash; the stock was issued and delivered, $2,000.00 paid in cash and note given for balance due in one month, 6% interest. The patent was subject to royalty rights, granted to the Novelty Company, which terminated at date of purchase. All accrued royalties were to pass with patent and no royalty rights were granted by the Patent Specialty Company.

August 27, 1907, the Village Board of Trade donated a lot, valued at $5,000.00, in consideration of agreement to erect and equip a plant at cost of not less than $25,000.00.

September 13, 1907, a further call of 70% was paid. The note was paid at maturity.

December 31, 1907, the following facts existed:

Payments on account of salaries, interest, insurance, etc, amounted to, $2,250.00, with $250.00 accrued: contracts for construction and equipment amounting to $35,000.00 had been given, which were 75% completed and 40% paid: royalties amounting to $2,725.00 had been received and $190.00 was accrued.

Prepare journal entries to cover foregoing and statement to display financial condition at December 31, 1907.

Ref. 29-4

PROBLEM NO. 83.

(N.Y. C.P.A. Examination)

The trial balance of a corporation shows Dec. 31, 1898, a credit to capital stock account of $74,176. The authorized capital of the company is $150,000. There is $50,000 stock in the treasury of the company. These figures in the trial balance were occasioned by the fact that the bookkeeper, not understanding corporation bookkeeping, had charged the capital stock account with losses as follows: For year 1894, $13,884.50; 1895, $9,897.50; 1896, $32,507.50; and credited it with gains as follows: 1897, $4,319.15; 1898, $26,146.35. Make the necessary entries to adjust the books so as to show the true condition Dec. 31, 1898, and give a clear and concise explanation.

Ref. 6-2

PROBLEM NO. 84.

(N.Y. C.P.A. Examination)

A syndicate, formed for the purpose of acquiring controlling interests in several manufacturing companies, had pooled the sum of $1,200,000, and the securities purchased therewith had been placed in the hands of a trustee.

A company was organized with a subscribed capital of $5,000,000, (shares $100 each) of which $2,000 was paid in cash.

By the terms of an agreement entered into between the company and the trustee, 49,980 shares of stock were to be issued to him for all the securities held by him, and $624, 375 in cash was to be paid by him to the company, provision being made, however, that in case the trustee failed to pay the required amount of cash, he was to turn back to the company 3-1/5 shares of stock for each $100 that he failed to pay.

The trustee being unable to pay any cash, returned stock in lieu thereof, as provided.

The company then offered the members of the syndicate $3,000 in securities at par, and 25 shares of stock for each $3,000 contributed to a second pool of $1,200,000. This offer was accepted and half of the second pool paid in, securities and stock being issued as agreed.

Make entries for the books of the company which will give proper expression to the foregoing transactions. Prepare a balance sheet.

Ref. 10-6

PROBLEM NO. 85.

(N.Y. C.P.A. Examination)

Three brothers, A, B and C, own all the capital stock (each 1/3) of a certain corporation X. They own also but not equally, 55% of the capital stock of a kindred corporation Y which is capitalized for $100,000, the par value of the shares being $10. The holdings of each in the Y corporation are as follows:

A 2222 shares
B 2222 "
C 1056 "

The three brothers, acting as the corporation X, purchase out of corporate funds the remaining 45% interest in the corporation Y, paying $100,000 therefor. Without further cost to X they now wish to merge the two corporations under the corporate name X and to dissolve Y.

C proposes to make compensation to A and B individually for an equal interest in the 5500 shares upon the same basis as the 45% interest was acquired, so that all may share equally in the merged properties.

How much should C pay to each of the other stockholders? Outline the entries necessary to record all the above stated transactions on the books of X and Y.

Ref. 16-1

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

PROBLEM NO. 86.

(N.Y. C. P. A. Examination)

The balance sheet of a corporation having a capital stock of $300,000 and 6% certificates (not bonds) to the amount of $138,400 outstanding, shows Dec.31, 1903, an impairment of capital of $125,000. Interest on the certificates has been paid to November 10, 1903. At the closing of the books allowances were stated and entry was made in Certificate Interest Account for $1,153.33, interest accrued to date of closing. In April, 1904, it became expedient that these certificates should be gratuitously surrendered to the company and retired as liability, as of Dec. 31, 1903. A stockholder, D, owning $250,000 of the 300,000 shares of stock and $64,400 of the certificates, offers to give the other certificate holders dollar for dollar of stock of his own holdings for their certificates, and further offers to donate back to the company the certifcates thus acquired, together with his own, so that the impairment of capital will be removed. The interest from Jan 1 to May 10, 1904 ($2,998.67), is to be paid by notes of the company but not to appear as interest on certificates, for the reason that the certificates are assumed to have been retired Dec. 31, 1903. The offer is accepted and A, B and C surrender certificates to D who gives them stock therefor. The company gives two notes each to A, B and C and D, one for interest Nov. 10 to Dec. 31, 1903, the other for interest Jan. 1 to May 10, 1904. D thereupon surrenders the certificates for cancellation. The certificate holders' accounts are as follows:

	Amount Ctfs. held	Int. Accrued to Dec. 31/03	Int. Jan. 1 to May 10/04
A,............	$ 8,000.00	$ 66.67	$ 173.33
B,............	30,000.00	250.00	650.00
C,............	36,000.00	300.00	780.00
D,............	64,400.00	536.66	1,395.34
	$138,400.00	$ 1,153.33	$2,998.67

Suggest a method of recording this transaction so that the notes given for interest on certificates Jan. 1 to May 10, 1904 shall not appear as being given for interest. Make entries for all interest paid, for the certificates surrendered and for the rehabilitation of the capital account. Show also the condition of the deficit account.

Ref.16-2.

[illegible]

[illegible]

[illegible]

PROBLEM NO. 87.

(N.Y. C.P.A. Examination)

A railroad company has the following capitalization:

	Shares
Capital stock outstanding (par value $100)	92,438
Capital stock issued and in treasury......	6,439
Capital stock unissued....................	1,123
Total authorized..............	100,000

The directors declare a dividend of 10% payable in the stock of the corporation and the resolution authorizes the officers of the company to use the treasury stock and unissued stock for that purpose and directs them to purchase on the open market as much more stock as may be required for distribution. How much stock must be purchased for this purpose so that when the distribution is completed all the stock shall be outstanding and none shall remain in the treasury? Scrip is to be issued for fractional parts of a share.

Ref. 24-4

PROBLEM NO. 88.

(N.Y. C.P.A. Examination)

The American Manufacturing Company, on Janurry 1, 1909, placed in service a piece of machinery which would depreciate, according to its chief engineer, at the rate of 15% per annum. The original cost of this machinery was $84,000 and the board of directors agree to set aside annually a sinking fund which, together with the interest thereon, will amount to the original cost at the end of the prospective life of the machinery. This sinking fund is to be deposited with a trust company on December 31 of each year and a corresponding amount at the end of the last partial year of the life of the machinery; interest is to be credited by the trust company at each of these dates at the rate of 4% per annum. Show how the amount of the annual sinking fund payment may be arrived at and prepare a detailed statement for the board of directors, proving that the amount so obtained is correct.

Ref. 30-1

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

(N.Y. C.P.A..Examination)

The New York Land Company was organized January 1, 1907, with an authorized capital stock of $500,000 divided into 5,000 shares at $100 each, par value.

The total authorized capital stock was subscribed to by the following:

John Doe,................................	$ 1,000
Richard Roe,.............................	1,000
Construction Company,....................	248,000
William Jackson,.........................	1,000
Organization Company,....................	249,000

$5,000 was paid in on date of organization, $45,000 was called, payable January 16, 1907, and the balance of the subscriptions was to be paid in as called by the Board of Directors.

The New York Land Company was organized for the joint benefit of the Construction Company and the Organization Company, and subscriptions of all subscribers were to be paid by those companies, John Doe and Richard Roe representing the Construction Company and William Jackson representing the Organization Company. These two companies were also to finance the New York Land Company and to advance cash to it in equal instalments. The interest on these advances was to be figured and credited monthly on the amounts advanced by each company. Interest was also to be charged on subscription calls paid subsequent to date of call.

The company was not to commence operations till later in the year and in the meantime was to have no general office expenses. In lieu of these expenses William Jackson, the treasurer of the company, was to be paid a salary of $250 monthly, beginning with January, 1907.

On the date of organization, January 1, 1907, the officers of the company were duly authorized to make the following purchases on the dates mentioned:

On January 11, 1907, the purchase of land from A B for $500,000, $25,000 to be paid in cash, the balance in notes of $100,000 each, dated January 11, 1907, payable in two, three, four and five years from date, and a note of $75,000, payable in one year from date ; all notes with interest at 6% per annum.

On February 1, 1907, the purchase of land from the Water Rights Company for the sum of $250,000, of which $50,000 is to be paid in cash February 1, 1907, and the balance to be paid in equal installments of $50,000 each, in one, two, three and four years from February 1, 1907. The deferred payments were evidenced by notes including interest in the face of the notes as follows:

The New York Land Company was [illegible] an authorized capital stock of $500,000 divided into 5,000 shares of $100 each, par value.

The [illegible] authorized capital [illegible] subscribed for by the following:

John Doe	$ 1,000
Richard Roe	[illegible]
[illegible]	[illegible]
William Jackson	248,[illegible]
Organization Company	1,000
[illegible]	[illegible]

$5,000 was paid in on date of organization, [illegible] January 15, 1907, and [illegible] to be paid in [illegible] of the Directors.

The New York Land Company was organized for the joint benefit of the [illegible] Company and the Organization Company, and subscriptions of all [illegible] were to be paid by those [illegible] and William Jackson representing the Organization Company. These two companies were [illegible] to advance each [illegible] New York Land [illegible] on these advances was to be [illegible] on the amounts advanced by each company. [illegible] to be charged or subscription calls paid [illegible] subsequent [illegible]

The company was not to commence operations [illegible] year and in the meantime was to have no [illegible] office expenses. In lieu of those expenses William Jackson, [illegible] company, [illegible] be paid [illegible] 1907.

At the date of organization, January [illegible], 1907, [illegible] the company were duly authorized to [illegible]

On January 11, 1907, the [illegible] $800,000, $25,000 to be paid [illegible] dated January 11, 1907, [illegible] four and five years from date, [illegible] from date; all notes [illegible]

On February 1, 1907, the [illegible] Company for [illegible]

[illegible] 1907, [illegible] payments were [illegible]

Note dated Feb. 1, '07,due Feb. 1,'08,without interest $53,000
Note dated Feb. 1, '07,due Feb. 1,'09,without interest $56,000
Note dated Feb. 1, '07,due Feb. 1,'10,without interest $59,000
Note dated Feb. 1, '07,due Feb. 1,'11,without interest $62,000

The treasurer did not open the books but merely kept a record on the check book of the following transactions to February 28,1907:

Jan. 1, 1907	Check received from Construction Co. on account of stock subscription,................	$ 2,500	
Jan. 1, 1907	Check received from Organization Co. on account of stock subscription,................	2,500	
Jan. 16,1907	Check received from Organization Co. on account of stock subscription and advances,.......	27,500	
Feb. 1, 1907	Check received from Construction Co. on account of stock subscription and advances,.......	47,500	
Jan. 10,1907	Check issued to A. Smith for legal expenses,..............		$ 475.00
Jan. 11.1907	Check issued to A B on account of land purchased,...........		25,000.00
Jan. 15,1907	Check issued to Stationery Company for books, seal, stamp, etc.,......................		234.75
Jan. 31,1907	Check issued to William Jackson for salary for January,......		250.00
Feb. 1, 1907	Check issued to Water Rights Company on account of land,..		50,000.00
		$80,000	$75,959.75
Feb. 28,1907	Balance in bank,...............		4,040.25
		$80,000	$80,000.00

All transactions, including interest adjustments, figured at the rate of 6% per annum, are to be recorded monthly on the books.

Prepare cash and journal entries, opening the books on January 1, 1907, journal entries and cash book entries for each of the months of January and February, and trial balances for January and February.

Ref. 24-2.

PROBLEM NO. 90.

(N.Y. C.P.A. Examination)

A company is incorporated to purchase by an issue of preferred and common capital stock three concerns, A, B, and C, doing the same class of business. It is found that the assets (by actual valuation) the liabilities and the average annual net profits of each concern for the past five years are as follows:

	A	B	C
Assets as valued..........	$100,000	$60,000	$150,000
Liabilities................	30,000	20,000	50,000
Annual net profits, average five years...............	10,000	15,000	8,000

It is required to know what amount of stock of the new company should be allotted to each concern as equitable compensation for net assets and goodwill, and the matter is referred to you for report. What should be the amount of capital stock of the new company and how should be apportioned to A, B and C?

Ref. 45-2

PROBLEM NO. 91.

(N.Y. C. P. A. Examination)

A corporation issues $100,000 in 20-year bonds, dated January 1,1902, redeemable out of revenue by means of 20 annual sinking fund instalments of $5,000 each. December 31, 1902, $5,000 is reserved out of profits and placed to the credit of Reserve for Redemption and $5,000 is deposited in a trust company @ 2% and charged to sinking Fund for Redemption. Separate sinking fund books are opened in the ledger in which Cash is charged and Sinking Fund credited with said first instalment.

February 2, 1903, inventments are purchased for the sinking fund and the principal thereof is charged on the sihking fund books to separate investment accounts, while the accrued interest is charged to Revenue from Investments.

The inventments so purchased are as follows:

a Two (2) gold bonds 5%, due 1950, of $1,000 each, interest payable,May 1, Nov. 2, @ par and accrued interest.
b One (1) 6% gold bond, due 1940, of $1,000, Apr. 1, Oct. 1, @ 120 and accrued interest.
c The company loans on first mortgage $1,400 @ 5% interest, payable Aug. 1, Feb. 1,

The interest is regularly received and deposited in the special account, charged to Cash and credited to Revenue from Investments, which latter account is in turn closed by transfer of balance to Sinking Fund for Redemption.

December 31, 1903, the second annual reserve is made in the amount of $5,000, less the net income of the sinking fund for the expired current year as shown by the sinking fund books, and a corresponding deposit is made in the special fund, while the proper entries of the receipt thereof are also made and posted in the sinking fund books. March 1, 1904 two (2) 6% bonds of the same issue as purchased in the previous year are bought for the sinking fund @ 116 and accrued interest, one (1) of the 5% bonds is sold @ 103 and accrued interest, and a first mortgage for $3,500@ 5% March, 1 and Sept.1, is purchased. The 6% bond bought in 1903 and held at 120 is written down to 116, and the remaining 5% bond held at par is written up to 103 by cross entry between the principal account and the Revenue from Investments account. December 31, 1904, the third instalment is reserved and deposited in the same manner and on the same principle as the preceding ones.

Frame the necessary journal entries on both the general and the sinking fund book to give expression to the foregoing transactions; also the accounts affected in both ledgers showing the status of sinking fund at the beginning of 1905.

Ref. 19-4.

PROBLEM NO. 92.

(N.Y. C.P.A. Examination)

An issue of $250,000 fifty year bonds, dated July 1, 1904, is redeemable by a Sinking Fund into which annual cash installments are to be paid by deposit of funds in a Trust company which allows interest at the rate of 2% per annum, credited Jan. 1 and July 1. Separate books are to be kept solely for recording the sinking fund operations. The fund so created is to be invested in interest-bearing securities and the income therefrom is to be applied to the reduction of the succeeding annual instalments.

On July 1, 1905, the first instalment of $5,000 was paid into the fund and on the same day the following investments therefor were made:

Two 5% bonds of $1,000 each, April 1 and October 1, at par and accrued interest.

Two 6% bonds of $1,000 each, May 1 and Nov. 1, at $110 and accrued interest.

On July 1, 1906, the second instalment was duly deposited to the credit of the fund and on the same day the 5 % bonds purchased in the previous year were sold at 101 and accrued interest, and other investments were purchased as follows:

Two 6% bonds of the same issue as those purchased in the previous year at 105 and accrued interest.

Five 4% bonds of $1,000 each, Feb. 1 and Aug. 1, at 98 and accrued interest.

The income from all investments was regularly received and deposited, and the value of the 6% bonds purchased in 1905 was written down to conform to the value of the bonds of the same issue purchased in 1906 at the time of said latter purchase.

Frame journal entires and write up the Sinking Fund ledger accounts showing the amount of the cash instalments, payable on both July 1, 1906 and July 1, 1907, and the status of the Sinking Fund at said dates.

Ref. 23-1.

PROBLEM NO. 93.

(N.Y. C.P.A. Examination)

The Virginia Coal Co. was originated on January 1, 1906, began operations about January 7, 1906, and kept an ordinary set of books (by double entry) but did not close their accounts at the end of any fiscal year.

After an examination and verification of all accounts stated in the trial balance they are accepted as correct, except that termed "Sinking Fund Payments" ($22,500).

The mortgage securing bonds to the amount of $200,000 contains a sinking fund clause providing that the company shall deposit semi-annually with the Sinking Fund Trustee 5c per ton on all coal mined; such payments shall be made to trustee during January and July of each year for the preceding six months' period. Money so deposited is to be applied, as soon as practicable, to purchase bonds at not exceeding 115 and accrued interest; compensation and expenses of trustee are also to be paid from the Sinking Fund. Bonds, when redeemed, cannot be canceled but are to be held by trustee, who shall collect the semi-annual interest thereon and apply to the same purposes as the 5c per ton payments.

Bonds are dated January 1, 1906, run for 20 years and bear interest at 6% per annum, payable January 1 and July 1 of each year.

Payments to Sinking Fund Trustees (the General Trust Co.) have been as follows:

July 27/06.	Payment for 6 mo. ended 6/30/06, 5c per ton on 120,000 tons,....................	$ 6,000.00
Jan. 24/07.	Payment for 6 mo. ended 12/31/06, 5c per ton on 150,000 tons,....................	7,500.00
July 28/07.	Payment for 6 mo. ended 6/30/07, 5c per ton on 180,000 tons,....................	9,000.00
		$22,500.00

On Janurary 30, 1908, the company paid to the General Trust Co. (S.F.Trustee) $5,500 for sinking Fund payment for the 6 mo. ended Dec. 31, 1907, being 5c per ton on 110,000 tons.

The General Trust Co. submitted statement of receipts and disbursements for account of the Sinking Fund to date (January 31,1908) as follows:

CASH RECEIVED TO DEC. 31/07

July 27/06.	S.F. deposit for 6 mo. ended June 30,1906 120,000 tons at 5c,.....................	$ 6,000.00
Jan. 5/07.	Jan./07 coupons on 5 bonds,..............	150.00

Jan. 24/07.	S.F. deposit for 6 mo. ended Dec. 31, 1907, 150,000 tons at 5c,.............	$ 7,500.00
July 3/07.	July/07 coupons on 12 bonds,.............	360.00
July 28/07.	S.F. deposit for 6 mo. ended June 30/07, 180,000 tons at 5c,...................	9,000.00
		$23,010.00

CASH DISBURSEMENTS TO DEC. 31/07

Aug. 16/06.	Bonds redeemed - 5,000 at 110,..........			$ 5,500.00
	Commission at 1/4%,......................			12.50
	Accrued interest,........................			37.50
				$ 5,550.00
Feb. 15/07.	Bonds redeemed:			
	4,000 at 108,......	$4,320.00		
	2,000 at 110,......	2,200.00		
	1,000 at 112,......	1,150.00	$ 7,640.00	
	Commission,..................		17.50	
	Accrued interest,...........		62.50	7,710.00
Aug. 12/07.	Bonds redeemed:			
	9,000 at 90,........	$8,100.00		
	1,000 at par,......	1,100.00	$ 9,100.00	
	Commission,.................		250.00	
	Accrued interest,...........		70.00	9,420.00
Dec. 31/07.	Compensation of trustee,......$		100.00	
	Advertising,.................		50.00	150.00
				$22,830.00

Cash balance in hands of trustees Dec. 31/07,.......		$ 180.00
Received in January, 1908, viz:		
S.F. deposit for 6 mo ended Dec. 31/07, 110,000 tons at 5c,..................	$ 5,500.00	
Jan. /08. Coupons on 22 bonds in S.F.,...	660.00	
Interest allowed on balance to 12/31/08,.	100.00	6,260.00
		$ 6,440.00

Prepare entries to state properly on the books of the Virginia Coal Co. all Sinking Fund transactions.

Ref. 28-6.

(Massachusetts C. P. A. Examination)

A corporation authorized a total issue of $500,000.00 of 5% bonds in denomination of $1,000.00 and $500.00 with interest payable January 1 each year and sold the whole issue to underwriters January 1, 1914, at 90.

The trust deed provides that "there shall be established a fund to be called ' the bond sinking fund,' to the account of which there shall on the thirty-first day of December of each year be carried a sum equal to 7% of the total par value of the bonds issued, and that, out of the moneys so carried to the account of the said fund, the company shall pay the interest on the bonds as the same becomes due, and the balance of said moneys shall be expended each year in purchasing the bonds of the company in the open market."

In January, 1915, the company purchased $10,00.00 of its bonds at 97 and retired and cancelled them. In January, 1916, the market price of the bonds is 98.

(a) How many bonds may be purchased from the bond sinking fund in January, 1916?

(b) Make journal entries for all the transactions from the date of the sale of the bonds to and including the purchase for the sinking fund in January, 1916.

(c) Show trial balance after posting above entries.

(American Institute of Accountants Examination)

Frame any entries necessary to record the action of the directors as it appears in the minutes of the meeting of August, 15, 1917, of which the following is a synopsis, and the action of the officers taken pursuant to authority conferred on them by such minutes:

The treasurer reported that the profits for the year as audited amounted to $59,287.00. Voted that a dividend of $40,000.00 be paid on October 1 to the stockholders of record September 15 and that $10,000.00 of the profits be appropriated as a reserve for belief of employees disabled while in the service of the United States and invested in Liberty Bonds.

The treasurer reported that he had an offer of $1,000.00 in settlement of a debt of $3,000.00 of the A. B. D. Company, which had been written off as irrecoverable in 1914. He was authorized to accept the offer in full settlement.

The president reported that a firm of bankers had offered to purchase $200,000.00 of the company's twenty-year 5 percent bonds to be dated October 1, 1917, at 93 and accrued interest. He was authorized to accept the offer and deliver bonds on that date.

The president reported that he had received tenders for new building planned in the amount of $185,000.00. He was authorized to execute a contract accordingly.

PROBLEM NO. 96.

(N.Y. C.P.A. Examination)

The Great northern manufacturing was incorporated under the laws of the state of New Jersey, February 1, 1899, with a capital stock of $10,000,000, consisting of $4,500,000, (45,000 shares of $100 each) preferred 7% non-cumulative stock, and $5,500,000 (55,000 shares of $100 each) of common stock. On the same date $2,000 of the common stock was subscribed for at par as follows:

By John Smith, 2 shares,..........	$ 200
" Henry Brown, 4 shares,.........	400
" John Doe, 4 shares,............	400
" Henry Rodman, 3 shares,........	300
" Wm. Rodman, 7 shares,..........	700
Total,..................	$ 2,000

On February 4, 1899, these subscribers paid in to the company the amount of their subscriptions, and stock was issued to them. February 15, the balance of the authorized capital stock of the company, both preferred and common, was issued by resolution of the board of directors, to John M. Scott, for and in consideration of $750,000 in cash and 12 manufacturing plants. An inventory of the property purchased, made by authorized representatives of the company, resulted in the following appraised valuations on the various plants and the stocks on hand:

FACTORIES	Material and supplies	Merchandise	Real estate	Buildings	Tools Machinery etc.
A,.......	$ 430,000	$ 95,000	$ 195,000	$ 20,000	$ 98,000
B,.......	211,000	44,000	130,000	10,000	84,000
C,.......	495,000	38,500	475,000	11,000	62,000
D,.......	304,000	15,000	924,000	13,000	48,000
E,.......	171,000	32,750	184,000	14,500	89,000
F,.......	86,500	81,000	60,000	17,750	26,000
G,.......	47,250	44,000	30,000	32,500	34,000
H,.......	98,000	35,750	20,000	14,600	62,000
I,.......	101,250	11,000	10,000	17,200	11,000
J,.......	37,000	13,000	11,000	19,200	35,000
K,.......	346,000	49,000	14,000	75,000	71,000
L,.......	121,000	67,000	37,000	34,750	44,000
Totals,.	$2,448,000	$ 526,000	$2,090,000	$279,500	$664,000

Open the accounts of the company so that the result of the operation of each factory will be known at the end of the company's

fiscal year. The books of the company are not to show the appraised valuation placed on the real estate, buildings, tools, machinery, etc., by factories, but in one amount only; and it is desired that the account include any expenditure incurred by the company for goodwill, etc.

Make opening entries in cash book, journal and ledger, covering in full the above transactions.

Ref 6-1.

164

PROBLEM NO. 97

(N.Y. C.P.A. Examination)

The American gas light company had operated a gas plant since the beginning of the year 1896. For the purpose of acquiring this industry, the National gas company was organized April 1, 1899, with a capital of $100,000, and after purchasing all of the capital stock of the American company, issued $100,000 of first mortgage 6% gold bonds, dated April 1, 1899, due April 1, 1929, interest payable January 1, and July 1 of each year.

June 30, 1899, the two companies were united by a certificate of merger, and new books were opened.

The accounts of the American gas light company had not been closed at any time during that company's existence, and at the date of the merger, stood as follows:

Land, buildings, ...) Machinery, ...) Mains and franchises, ...)	$ 82,360.73	Capital, ...	$ 50,000.00
Materials and tools,	1,856.30	Bills payable, ...	5,000.00
Coal (including freight), ...	47,540.45	Accounts payable, ...	2,679.81
Labor, ...	50,668.73	Gas account, ...	157,683.33
Repairs, ...	13,872.46	Coke account, ...	6,210.69
Water and other supplies, ...	3,869.39	Tar account, ...	4,500.54
Superintendence, ...	3,500.00		
Salaries (clerks and collectors),.	5,600.00		
Office expenses, ...	2,100.00		
Insurance, ...	1,435.00		
Taxes, ...	4,237.10		
Interest, ...	1,450.40		
Cash, ...	2,251.47		
Consumer's accounts,	3,210.44		
Other Acc's receivable, ...	2,121,90		
	$226,074.37		$226,074.37

The intentory was as follows:

Coal, ...	$400	
Coke, ...	150	
Tar, ...	100	$650

In acquiring the stock of the American company, paying organization expenses, etc., the National company used all its Capital stock and $90,000 first mortgage bonds, holding in reserve $10,000 of bonds for improvements.

Make the necessary journal entries to open the books of the new company, and prepare a balance sheet dated June 30, 1899.

Also prepare a profit and loss account showing the average annual results of the operations of the old company.

Ref. 9-1.

164

PROBLEM NO. 98.

(N.Y. C. P. A. Examination)

The Smith brewing company with $1,000,000 capital stock, The Young brewing company with $500,000 capital stock, and the Star brewery with $400,000 capital stock, agree to consolidate as the Universal brewing corporation, the new company to buy all the properties of the old companies, at a valuation to be fixed by appraisal, payment therefor to be made in full-paid stock of the new company, the old companies to pay off their own indebtedness.

The appraised values of the old companies are as follows:

	Real estate and buildings	Plant	Cash	Bills receivable	Horses wagons and harness	Office furniture	Total
Smith,	$680,000	$390,000	$15,000	$10,000	$4,000	$1,000	$1,100,000
Young,	327,000	160,000	3,000	6,000	3,000	1,000	500,000
Star,	126,000	71,000	1,000		1,500	500	200,000
Total appraised value,							$1,800,000

On this valuation, the Universal brewing corporation issued $2,000,000 of stock, shares $100 each, which was divided pro rata among the old companies on the basis of their appraised value, no fractional shares of stock to be issued, odd amounts to be paid old companies in cash.

Give journal entries necessary to set up property accounts and credit old companies with their pro rata on books of the new company.

At the time of the consolidation the ledger accounts of the Star brewing were as follows:

Real estate and buildings,	$250,000	Capital stock,	$400,000
Plant,	247,000	Bills payable,	50,000
Cash,	1,000	Accounts payable,	51,000
Horses, wagons and harness,	1,800		
Office furniture,	1,200		
	$501,000		$501,000

Make the proper journal entires to liquidate in stock of the new company the liabilities other than capital stock, to apportion the remaining stock and cash, and to close the books of the Star brewery.

Ref. 11- 5.

(N.Y. C. P. A. Examination)

Three manufacturers, each having an independent business and wishing to effect a consolidation of their respective interests, organized The United States Manufacturing Corporation, with an authorized capital stock of $1,500,000, consisting of 7,500 shares of preferred stock and 7,500 shares of common stock of $100 each. They sell to the new company all of their real estate, buildings, machinery, tools, fixtures, merchandise and supplies, in consideration of $1,500,000, and agree to accept in payment $750,000 of preferred and $750,00 of common stock of The United States Manufacturing Corporation at par. The vendors donate to the treasury of the company $150,000 of preferred stock and $150,000 of common stock to provide for working capital. The company sells $100,000 of its preferred stock in the treasury for 80% cash, giving a bonus to the purchaser of 20% in common stock.

For the purpose of raising additional funds for improvements and additions to plant, the company mortgages its real estate and buildings, as security for an issue of bonds amounts to $250,000. These bonds the company sells to bankers at 90%, giving as a bonus 10% of preferred stock and 20% of common stock.

Draft entries to express correctly the above transactions on the books of the corporation, and prepare a statement of assets and liabilities of the company.

Ref. 13-2.

PROBLEM NO. 100.

(N.Y. C.P.A. Examination)

A company is incorporated for the purpose of acquiring and operating the plants and goodwill of three previously independent concerns, the authorized capital being $1,000,000, half of which is common stock and half perferred stock. The total stock and $100,000 are issued to the vendor, in payment of the several properties acquired through him.

The vendor disposes of $200,000 of perferred stock to bankers at par with a bonus of one share of common stock for each two shares of perferred stock, and he also sells $400,000 of common stock at 50 per cent.

The prices paid by the vendor for the three plants acquired are 1, $100,000, 2, $200,000, and 3, $300,000, each of which is payable one half in preferred stock and one half in cash.

The properties are found to be in a "rundown" condition, and the company expends during the first year $75,000 in renewals and repairs to bring the plant to a state of efficiency, all of which is charged to revenue.

On a review of the accounts it appears that only $15,000 of said outlay was for replacement of current wear and tear and $60,000 is accordingly transferred to the Plant account in the proportion of 1, $30,000, 2, $20,000 and 3, $10,000.

For the purpose of determining and separately stating the intrinsic plant values and goodwill after the additional outlay, the properties were appraised under four general divisions and the results of the appraisement were as follows:

	I	II	III
A,..........................	$ 25,000	$ 60,000	$ 85,000
B,..........................	75,000	100,000	175,000
C,..........................	2,000	5,000	7,000
D,..........................	8,000	18,000	25,000
Total,................	$110,000	$183,000	$292,000

Frame the journal entries necessary to open the books of the company in accordance with the above statement.

Ref. 21-4.

(N.Y. C.P.A. Examination)

The composition of the values of the books of the three old companies absorbed by the new company as stated in the foregoing problem were:

Assets	I	II	III
Property sold,..................	$80,000	$163,000	$282,000
Book accounts, not sold,.........	1,000	3,000	5,000
	$81,000	$166,000	$287,000
Liabilities			
Bills and accounts settled by old company,..................	$49,000	$100,000	$189,000
Undivided profits,...............	2,000	6,000	8,000
Capital stock,...................	30,000	60,000	90,000
	$81,000	$166,000	$287,000

Frame the journal entries for closing the books of the old companies according to the above stated values.

Ref. 21-5.

PROBLEM NO. 102.

(N.Y. C.P.A. Examination)

A corporation is formed with a capital stock of $500,000 (of which $200,000 is preferred and $300,000 is common stock) to acquire and consolidate three existing corporations designated as A, B and C and having the following status respectively:

	Book Accounts	Liabilities	Surplus	Deficit	Capital
A,............	$171,000	$ 56,000	$15,000		$100,000
B,............	165,000	80,000		$5,000	90,000
C,............	108,000	47,000	6,000		55,000
	$444,000	$183,000	$21,000	$5,000	$245,000

The several vendor companies contract with the promoter to sell their assets, excluding cash funds as above stated and including goodwill, at the following prices respectively, viz: A $125,000, B $100,000, C $75,000, paybale one half in cash and one half in preferred stock to be issued therefor by the new company, which is also to assume all outstanding obligations.

The promoter or vendor contracts with the new or vendee company to acquire the several properties subject to the liabilities stated and to provide an additional working capital of $100,000 cash, and to take in payment therefor the entire authorized capital stock of the new company, out of which the subscribing incorporators and directors will acquire their stock by purchase from the underwriters.

The common stock is underwritten by bankers at 80% with bonus of one share of preferred to each 10 shares of common stock. The bankers are also to take an additional $10,000 of preferred stock at par, as part of their agreement.

a Frame the opening entries and balance sheet of the vendee company, showing the costs respectively of assets, goodwill and organization expense on the assumption that the terms of the several contracts are known to all the parties concerned and form the basis of the initial values established.

b Frame closing entries of "A" Company, showing cancellation of stock and distribution of proceeds of sale among stockholders.

c Show promoter's compensation or profit for effecting the consolidation.

Ref. 24-5.

(N.Y. C.P.A. Examination)

A B acquires all the shares of the capital stock of the Vendor Water Company, and in order to reorganize it, forms the Purchaser Water Company with an authorized capital stock of $1,000,000 divided into $500,000 common and $500,000 preferred stock. Bonds amounting to $1,000,000 are also authorized by the Purchaser Company. A contract is executed between A B individually and the Vendor Water Company by which the latter, for a cash consideration, transfers to A B its property subject to its existing debts. A B then sells the property acquired from the Vendor Water Company to the Purchaser Water Company for the sum of $1,999,000 payable $1,000,000 in bonds, $500,000 in preferred stock and $499,000 in common stock of the Purchaser Water Company. The Purchaser Company also agrees to pay all the existing debts of the Vendor Company. The board of directors of the Purchaser Company appraises the acquired plant at a valuation equal to the difference between the sum paid for the total assets of the old company plus liabilities assumed and the value of the assets acquired exclusive of the plant. The Purchaser Company receives in its treasury $1,000 cash from A B for 10 shares of stock issued.

Frame the opening journal and cash book entries of the Purchaser Water Company, and prepare the balance sheet of the Purchaser Company from the entires.

The balance sheet of the Vendor Company on the date of the transfer was as follows:

ASSETS

Plant,................................	$1,253,000	
Cash,.................................	17,000	
Notes receivable,.....................	6,000	
Accounts receivable,..................	85,000	
Materials in stock,...................	35,000	
Unexpired insurance,..................	1,000	
Interest paid in advance on notes payable,............................	3,000	
Trust company (deposit to pay coupons),.	250	
Stock of other companies,.............	80,000	
Total assets,.................	$1,480,250	
Deficit,..............................	3,848	
Total,..............................		$1,484,098

CAPITAL STOCK AND LIABILITIES

Capital stock,........................	$1,000,000
Bonds,................................	200,000
Notes payable,........................	150,000

[illegible]

A B acquires all the shares of the capital stock of the [illegible] Company, and in order to [illegible] Company with an authorized capital stock of $1,000,000 divided into $500,000 common and [illegible] stock. Bonds amounting to $1,000,000 [illegible] Company. A contract is [illegible]. A B [illegible] and the [illegible] Company [illegible] cash consideration, [illegible] existing [illegible]. A B then sells the [illegible] Company to the [illegible] Company for the sum of $1,000,000, payable $1,000,000 in bonds, [illegible] stock and $500,000 in common stock [illegible]. The [illegible] Company also [illegible] of the [illegible] Company. [illegible] Company [illegible] the [illegible] difference between the sum [illegible] company [illegible] the [illegible] Company [illegible] in the [illegible] $1,000 each from A B [illegible].

[illegible] Company [illegible] Company [illegible] from the [illegible].

The balance sheet of the [illegible] Company at the date of the transfer was as follows:

[illegible]

Plant,....................................	[illegible]
Cash,.....................................	[illegible]
Notes receivable,.........................	[illegible]
	[illegible]
[illegible] in stock,.....................	[illegible]
[illegible] insurance,....................	[illegible]
Interest [illegible] in advance [illegible]	
	[illegible]
Trust company (deposit to pay coupons),...	[illegible]
Stock of other companies,.................	[illegible]
Total Assets,.............................	[illegible]
Deficit,..................................	[illegible]

[illegible]

(CAPITAL [illegible] AND LIABILITIES)

Capital stock,............................	[illegible]
	[illegible]

Accounts payable,.........................	$ 70,000
Meter deposits,...........................	1,848
Accrued interest on bonds,................	5,000
Coupons payable,..........................	250
Reserve for bad debts,....................	7,000
Reserve for depreciation of plant,........	50,000
	$1,484,098

Ref. 26-1.

PROBLEM NO. 104.

(N.Y. C.P.A. Examination)

CONSOLIDATED MANUFACTURING COMPANY

Several manufacturers consolidate their interests and organize the Consolidated Manufacturing Company with an authorized capital stock of $1,000,000, divided into 5,000 shares of common stock and 5,000 shares of preferred stock at $100 each par value.

The manufacturers sell to the company all of their assets subject to floating debts of $115,000, divided into notes payable $65,000, and accounts payable $50,000, for the sum of $1,000,000, payable $1,000 in cash, $499,000 in common stock and $500,000 in preferred stock. The company agrees to pay the debts of $115,000. The active assets acquired are inventoried by the Consolidated Manufacturing Company as follows-: real estate, $175,000; machinery, $200,000; and merchandise, $155,000.

The patents and good will were inventoried at a sum equal to the difference between the net cost to the company of the assets acquired and the above valuations of the active assets.

The company received $1,000 cash for 10 shares of common stock, and for the purpose of providing funds for working capital authorized an issue of bonds amounting to $300,000, of which $200,000 were immediately sold as follows: $100,000 for cash at 80%, and $100,000 for cash at par, with a bonus of common stock amounting to $100,000.

For the purpose of providing common stock to be given as a bonus the manufacturers donated $200,000 of common stock to the treasury of the company.

Prepare the journal and the cash entries for the company, covering all of the above transactions, and prepare a balance sheet of the company.

Ref. 27-5.

PROBLEM NO. 105.

(N.Y. C.P.A. Examination)

THE RICHARDSON ENGRAVING AND PRINTING COMPANY

The Richardson Engraving and Printing Company, a corporation having an authorized capital stock of $50,000.00, owned by William Richardson, $10,000.00; Silas Johnson, $15,000.00; and Thomas Acton, $25,000.00.

The plant was destroyed by fire September 23, 1908. All the books and records were saved except the sales records, which were not written up for September. The insurance companies paid $28,000.00 on the plant and $7,000.00 on the stock, which was distributed to the stockholders as received in proportion to their holdings. Cash was received from September sales amounting to $13,500.00. On September 30, the trial balance disclosed the following condition:

Capital stock,		$ 50,000.00
Plant,	$ 30,000.00	
Stock on hand June 1, 1908,	8,750.00	
Accounts receivable,	19,640.00	
Accounts payable,		12,590.00
Reserve for bad debts,		1,250.00
Insurance adjustment,		28,000.00
Cash,	3,900.00	
Engraving,		77,600.00
Printing,		99,350.00
September sales, not allocated,		24,175.00
Merchandise purchases,	58,800.00	
Wages,	130,180.00	
Rent,	1,800.00	
Salaries,	5,750.00	
Profit and loss surplus,		855.00
William Richardson,	7,000.00	
Silas Johnson,	10,500.00	
Thomas Acton,	17,500.00	
	$$293,820.00	$293,820.00

The accounts receivable realized $18,320.00, and the liquidation expenses were $1,850.00. The stockholders turned in their stock for cancellation and received their proportionate amount of cash. Prepare journal entries closing the books of the corporation and a profit and loss account.

Ref. 29-6.

[illegible]

[illegible] properties, [illegible] [illegible] $[illegible]$ [illegible]

The plant was destroyed by fire September [illegible] [illegible] for Creditors. The Insurance [illegible] $28,000.00 on the plant and $9,300.00 [illegible]

Capital stock [illegible]

[illegible]

The [illegible]

[illegible]

PROBLEM NO. 106.

(N.Y. C.P.A. Examination)

The A Manufacturing Company incorporated under the laws of the State of New York, with a capital of $100,000 consisting of 1,000 shares of $100 each, all of which has been paid in cash, presents the following balance sheet as of May 31, 1909:

ASSETS	
Cash,	$ 125,000.00
Materials and supplies,	25,000.00
Accounts receivable,	300,000.00
Plant and buildings,	400,000.00
	$ 850,000.00
LIABILITIES	
Accounts payable,	20,000.00
Capital,	100,000.00
Surplus,	730,000.00
	$ 850,000.00

Annual sales, $800,000.

The B Manufacturing Company incorporated under the laws of the State of New York, with a capital of $1,000,000 consisting of 10,000 shares of $100 each, presents the following balance sheet as of May 31, 1909:

ASSETS	
Cash,	$ 50,000.00
Materials and supplies,	25,000.00
Accounts receivable,	200,000.00
Plant,	500,000.00
Goodwill,	700,000.00
	$1,475,000.00
LIABILITIES	
Accounts payable,	$ 150,000.00
Capital,	1,000,000.00
Surplus,	325,000.00
	$1,475,000.00

Annual sales, $600,000.

Both concerns are engaged in the manufacture of the same commodity and desire to consolidate for the purpose of maintaining prices, but will continue to operate each plant separately. They organize the United Manufacturing Company with a captial stock of $200,000 consisting of 2,000 shares of $100 each, the members of the A Company agreeing to subscribe for 1,000 shares and to pay for them in cash and the members of the B Company for 1,000 shares also payable in cash: the stock is issued to the following:

Comprising the A Company:

C -	Certificate	1	for	250	shares
D -	"	2	"	250	"
E -	"	3	"	250	"
F -	"	4	"	250	"

Comprising the B Company:

G -	Certificate	5	for	250	shares
H -	"	6	"	250	"
I -	"	7	"	250	"
J -	"	8	"	250	"

The cash is paid into the treasury of the United Manufacturing Company on the issuance of certificates to the respective subscribers.

The United Manufacturing Company purchases and pays cash for the stock of materials and supplies of both mills.

The United Manufacturing Company rents from the A Company its plant and agrees to pay an annual rental of $90,000 and in addition thereto will pay the officers managing the A plant an annual salary of $90,000 for their services. The rent for the B Company plant is agreed on at $60,000 and the officers are to receive an annual salary of $60,000. It is agreed that all additions to the plants and all repairs and maintenance are to be paid for by the United Manufacturing Co.

Operations of both plants are continued and at the end of the fiscal year May 31, 1910 the balances appearing on the books of the United Manufacturing Company are as follows:

Cash,......................................	$200,000.00
Accounts receivable,.......................	200,000.00
Additions to plant,........................	60,000.00
Accounts payable,..........................	160,000.00
Capital stock,.............................	200,000.00

The trading transactions of the respective mills are as follows:

A COMPANY'S MILL

Purchases - Raw materials and supplies,.....	$160,000.00
Labor,......................................	300,000.00
Factory expense,............................	100,000.00
Repair and maintenance of plant,............	80,000.00
Office expense,.............................	60,000.00
Rent of plant,..............................	90,000.00
Officers' salaries,.........................	90,000.00
Sales,......................................	907,000.00

The cash is paid into the [illegible] of the [illegible] on the [illegible] of [illegible] contributors.

The United Manufacturing Company [illegible] for the stock of [illegible].

The United [illegible] Company [illegible] 60,000 [illegible] A [illegible] rent for the [illegible] of 60,000. It is [illegible]

[illegible]

Cash..................................	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Capital stock..............................	[illegible]

[illegible]

A [illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	100 [illegible]
[illegible] of plant	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

Purchases - Raw material and supplies,......	$140,000.00
Labor,.................................	250,000.00
Factory expense,.......................	75,000.00
Repair and maintenance of plant,...........	70,000.00
Office expense,........................	50,000.00
Rent of plant,.........................	60,000.00
Officers' salaries,....................	60,000.00
Sales,.................................	778,000.00

The stock as of May 31, 1910, consisted of

Materials and supplies - A Company's mill,..	$ 10,000.00
Materials and supplies - B Company's mill,..	15,000.00
Labor due, not paid - A Company's mill,.....	5,000.00
Labor due, not paid - B Company's mill,.....	10,000.00

Open the books of the United Manufacturing Company; prepare balance sheet as of May 31, 1910 and consolidated trading and profit and loss account showing profits for each mill. As the mills have been kept in perfect repair no depreciation is to be considered; outstanding accounts are considered good. Provide for a dividend of 10%.

Prepare percentage table of each mill, showing to four (4) decimals the percentage of <u>each</u> of the following items against the total cost of production:

Materials and supplies.
Labor.
Factory expense.
Repairs aand maintenance.
Rent of plant.

Ref. 30-3.

PROBLEM NO. 107.

(N.Y. C.P.A. Examination)

The Sinclair Trading Company has been granted permission to dissolve its corporate existence. You are consulted about the procedure of closing its books and are given the following information:

An abstract of the ledger, on July 15, 1910, discloses: land and building, $30,000; plant and machinery, $50,000; merchandise inventory, $22,500; notes receivable, $10,500; accounts receivable, $16,800; contingent fund, $15,200; mortgage bonds (on machinery and plant) $25,000; accrued interest on the mortgage, $52; notes payable, $27,000; accounts payable, $28,000; capital stock (authorized, issued and outstanding) $50,000; reserve for depreciation of plant and machinery, $9,500; reserve for depreciation of buildings, $1,950; reserve for contingencies, $15,200; surplus $798.

There is a balance in the bank of $12,500.

A report rendered by the secretary of the company shows the result of the realization as follows:

The mortgagees bought the plant and machinery for $35,000, paying cash for the difference between the amount of the mortgage and the accrued interest, aand the purchase price. The land and buildings were sold for $33,000. The inventory of merchandise was disposed of for $20,000. The notes receivable were paid; the accounts receivable realized $15,150 and the securities of the contingent fund realized $14,700.

All notes payable and accounts payable were paid and the expense of realization and liquidation amounted to $3,200.

Prepare (a) all closing entries for the dissolution of the company, (b) a statement of realization and liquidation showing the amounts distributed to the stockholders.

Ref. 30-6.

PROBLEM NO. 107.

(N.Y. C.P.A. Examination)

The [illegible] Trading Company has been granted permission to dissolve its corporate existence. You are consulted about the procedure of closing its books and are given the following information:

An abstract of the ledger, on July 15, 1910, discloses: land and buildings, $30,000; plant and machinery, $[illegible],000; merchandise inventory, $25,500; notes receivable, $10,500; accounts receivable, $15,500; contingent fund, $15,200; mortgage bonds (on machinery and plant) $[illegible],000; accrued interest on the mortgage, 552; notes payable, 27,000; accounts payable, $[illegible],000; capital stock (authorized, issued and outstanding) $50,000; reserve for depreciation of plant and machinery, $9,[illegible]00, reserve for depreciation of buildings, $[illegible] [illegible]; surplus [illegible]796.

There is a balance in the bank of $12,500.

A report rendered by the secretary of the company shows the result of the realization as follows:

The mortgagees bought the plant and machinery for $[illegible], paying cash for the difference between the amount of the mortgage and the accrued interest, and the purchase price. The land and buildings were sold for $33,000. The inventory of merchandise was disposed of for $20,000. The notes receivable were paid; the accounts receivable realized $15,150 and the securities of the contingent fund realized $14,750.

All notes payable and accounts payable were paid and the expense of realization and liquidation amounted to $[illegible].

Prepare (a) all closing entries for the dissolution of the company, (b) a statement of realization and liquidation showing the amounts distributed to the stockholders.

Ans. [illegible].

(N.Y. C.P.A. Examination)

The Excelsior Gas Company is incorporated on January 1, 1910, with an authorized capital of $300,000 (2/3 preferred and 1/3 common, all the shares being of the par value of $100) to acquire and conduct the business of The Bradford Gas Company, whose general balance sheet shows the following on December 31, 1909:

Buildings, machinery and equipment, ...	$100,000	Notes Payable, ...	$ 10,000
Mains, conduits, meters and connections, ...	70,000	Accounts payable, ..	52,000
Franchise, rights, privileges, etc., ...	50,000	Capital stock, ...	200,000
Materials and supplies, ...	15,000	Surplus, ...	30,000
Tools and emergency equipment, ...	10,000		
Cash, ...	11,800		
Accounts receivable, ...	35,200		
	$292,000		$292,000

On January 15, 1910, all the preferred and common stock of The Excelsior Gas Company was issued to the 20 stockholders of the Bradford Gas Company, in exchange for their holdings of stock of the latter company, in the proportion of one share of preferred and one share of common for each share of stock exchanged.

At a meeting of the board of directors of The Excelsior Gas Company, held January 20, 1910, it was resolved to carry out the provisions of a plan of merger in accordance with which The Bradford Gas Company was to transfer its assets and liabilities to The Excelsior Gas Company, and surrender its charter. A certificate of merger was issued at the close of the meeting.

At the meeting held January 31, 1910, the board of directors of The Excelsior Gas Company resolved to open accounts on the general books of the company, with the individual assets and liabilities taken over and assumed, at the figure shown by the balance sheet of The Bradford Gas Company on December 31, 1909, with the following exceptions: (a) franchises etc. to be raised at $70,000, (b) surplus not to be carried.

As to the January operating transactions, they were recorded in special books, in order that they might be embodied at the proper time in the books of The Excelsior Gas Company.

Prepare (a) chronologic journal entries reflecting on the books of The Excelsior Gas Company the different stages of the merger, (b) a journal entry closing the books of The Bradford Gas Company.

Ref. 41-5.

PROBLEM NO. 109.

(N.Y. C.P.A. Examination)

The ledger of Jenkins & Brown showed at the end of the fiscal year the following balances:

Henry Jenkins,			$18,950
Arthur Brown,			18,950
Cash on hand and in bank,		$ 3,000	
Bills receivable,		750	
Books accounts receivable,		18,000	
Inventory: Raw material,	$ 8,000		
Labor,	12,000		
Manufactured goods,	6,500	26,500	
Accounts payable,			2,350
Bills payable,			8,000
		$48,250	$48,250

Pursuant to agreement each partner had drawn $2,800 as salary which had been charged as an expense to the business. The profits or losses were then divided equally. The results for the period just ended showed a net loss of $2,500, which the partners were unable to understand in view of the fact that they had done a business of $100,000 and according to their cost calculations this should have produced a profit over and above their salaries. The books were carefully checked without the discovery of anything to change the results, and a certified public accountant was engaged to explain the unaccountable loss.

An analysis of the merchandise and profit and loss accounts (into one or the other of which the nominal accounts had all been closed) showed the following summary:

Inventory at commencement of the period:	
Raw material,	$ 9,000
Labor,	13,000
Manufactured goods,	22,000
Purchases during period,	20,000
Labor during period,	35,000
Wages, shipping clerks, cartmen, etc.,	4,000
Traveling expenses ,commissions, etc.,	10,500
Salaries,	2,000
Rent,	1,500
Bad debts,	2,550
Sundry depreciations,	600
Discounts and interest,	250
Gross sales,	100,000
Return sales,	3,000

An inspection of their costing book showed the following assumption:

Material,..	$18,000
Labor,...	32,000

Prepare accounts that will give adequate expression to their transactions and thereby indicate any discrepancy that the above figures may reveal.

Ref. 2-2

164

PROBLEM NO. 110.

(N.Y. C.P.A. Examination)

The directors of a manufacturing company, before the closing and auditing of the books for the half year ending December 31, 1896, declare out of the net earnings of the company a dividend for the half year, of 4-o/o on the perferred stock of $200,000, and of 3-o/o on the common stock of $200,000. There has been brought forward from the last half year an undivided balance of profit of $8,000, and after the audit of the books the trial balance is found to be as follows:

TRIAL BALANCE, DECEMBER 31, 1896

Dr.		Cr.	
Real estate and buildings	$ 65,000	Preferred stock,.......	$200,000
Plant and machinery,.....	80,000	Common stock,.........	200,000
Patents and goodwill,....	160,000	Sales,................	438,350
Stock on hand Jul.1, 1896	58,000	Bills payable,........	52,000
Purchases,..............	165,000	Accounts payable,.....	20,000
Labor,..................	176,000	Profit and loss account,	8,000
Coal,...................	12,000		
Salaries,general,........	22,000		
Salaries,management,.....	10,000		
Insurance,..............	1,750		
Repairs,................	2,000		
Discount and allowances,.	12,500		
Freight,................	3,000		
Discount and interest (notes),..............	1,500		
Cash in bank,...........	16,000		
Investments,............	31,000		
Miscellaneous expenses,..	8,600		
Book debts,.............	84,000		
Perferred stock in treasury,...........	10,000		
	$918,350		$918,350

The stock on hand December 31 is $53,000. Prepare profit and loss account and balance sheet from the above, giving effect in the accounts to depreciation at the rate of 7-1/2o/o a year on plant and machinery and an allowance of 5- o/o on book debts to provide for bad accounts; also create a liability in the balance sheet for the dividends declared as above stated.

Ref. 3-1

PROBLEM NO. 111.

(N.Y. C.P.A. Examination)

Messrs. Doe & Roe are partners in business, sharing gains and losses equally.

Required, a statement showing the gains and losses by both the resource and liability method and the loss and gain method, and also the net capital of each partner, on the basis of the following trial balance of their double entry ledger at the close of the fiscal year:

John Doe, investment,......................................		$ 8,405.26
Richard Roe, investment,..................................		8,405.28
Cash,...................................	$ 9,017.33	
Merchandise,............................	3,424.89	
Bills receivable,.......................	12,000.00	
Bills payable,..........................		8,350.00
Expense,................................	576.00	
Interest,...............................	129.74	
Loss and gain,..........................	250.00	
Sundry book accounts receivable,........	3,566.00	
Sundry book accounts payable,...........		3,803.42
	$28,963.96	$28,963.96

Inventory of merchandise on hand,.................. $ 8,000.00

Ref. 5-6

PROBLEM NO. 111.

[illegible]

Messrs. [illegible] Doe are partners in business, carrying [illegible] [illegible]

Required, a statement showing the gains and losses by both the [illegible] and liability method and the loss and gain method, and also the net capital of each partner, on the basis of the following trial balance of their double entry ledger at the close of the fiscal year:

John Doe, investment,..................................		[illegible]
Richard Roe, investment,..................................		[illegible]
Cash,..................................	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
Bills payable,..................................		[illegible]
[illegible]e,..................................	[illegible]	
Interest,..................................	[illegible]	
Loss and gain,..................................	[illegible]	
[illegible]		
[illegible]		
	[illegible]	[illegible]

Inventory of merchandise on hand,.................................. $ 8,000.00

Ref. 5-6

PROBLEM NO. 112.

(N.Y. C.P.A. Examination)

From the following trial balance Dec. 31, 1897, of the Blank pottery company, prepare manufacturing and profit and loss accounts and balance sheet:

BLANK POTTERY COMPANY		Dr.	Cr.
Capital,			$ 44,000
Real estate and buildings,		$ 10,000	
Machinery,		12,500	
Tools, etc.,		2,500	
Horses, carts, etc.,		1,500	
Inventory Jan. 1, 1897:			
Earthenware,	$5,000		
Crates and packing materials,	1,250		
Clay,	5,000		
Coal and sundries,	1,250	12,500	
Profit and loss account,			1,000
Sundry debtors,		15,000	
Sundry creditors,			5,000
Sales,			60,000
Packing, etc.,			5,000
Straw, crates, etc.,		3,000	
Coal,		1,500	
Clay,		12,500	
Wages,		32,500	
Horse and cart expense,		1,500	
Freight, etc.,		2,500	
Repairs to machinery,		750	
Repairs to tools,		250	
Repairs to buildings,		500	
Taxes,		250	
Gas and water,		250	
Bills payable,			4,000
Bills receivable,		6,000	
Petty expenses,		1,000	
Cash,		2,250	
Petty cash,		250	
		$119,000	$119,000

Inventory, Dec. 31,1897; earthenware $4,000; crates, etc., $1,000; clay $4,000; coal $1.000.

Write off for depreciation, on machinery 5%; on real estate and buildings 2-1/2%; on tools 5%. Allow for bad debts 5% off debtors.

Ref.6-4.

[illegible]

[illegible]

[illegible] and balance sheet:

[illegible]

	Dr.	Cr.
[illegible]		[illegible]
[illegible] and buildings	[illegible]	
Machinery	12,500	
Tools, etc.	[illegible]	
Horses, carts, etc.	1,500	
Inventory Jan. 1, 1897:		
Earthenware $5,000		
Crates and packing materials 1,[illegible]		
Clay [illegible]		
Coal and sundries 1,200	12,500	
Profit and loss account		[illegible]
Sundry debtors	[illegible]	
Sundry creditors		8,000
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]	[illegible]	
[illegible]	[illegible]	
Clay	12,500	
[illegible]	32,500	
[illegible]	[illegible]	
[illegible]	[illegible]	
Repairs to machinery	750	
Repairs to tools	250	
Repairs to buildings	500	
[illegible]	[illegible]	
Gas and water	250	
Bills payable		4,000
Bills receivable	6,000	
[illegible]	1,000	
Cash	2,250	
[illegible]	[illegible]	
	[illegible]	[illegible]

Inventory, Dec. 31, 1897; earthenware [illegible], $1,000; clay $4,000; coal $1,000.

Write off for depreciation, on machinery 5%; on real estate and buildings [illegible]

[illegible]

PROBLEM NO. 113.

(N.Y. C.P.A. Examination)

John Doe expends $100,000 in the erection of a business block. At the end of the year he finds that the rents of the stores in the block have amounted to $7,500 and of the offices, $3,750. The expenses of the year have been, janitor and caretaker $750; repairs and alterations to suit tenants $500: water and gas $400: taxes .01975 on a valuation of $87,000; various incidentals $150. Make up a statement showing the result of the year's enterprise and per cent. of profit on investment, after charging 5% interest on the capital invested and $2,500 for depreciation.

Ref. 7-5

PROBLEM NO. 114.

(N.Y. C.P.A. Examination)

The following trial balance is handed you, with the request that you prepare a revenue account and a balance sheet:

A B's capital,		$20,000.00
A B's personal account,	$ 1,000.00	
Bank of North America,	600.00	
Cash in hand,	90.00	
Merchandise account,	8,600.00	
Repair account,	87.50	
Bills receivable,	6,400.00	
Bills payable,		4,000.00
Real estate,	1,350.00	
Bank stock,	1,566.00	
General expenses,	1,360.00	
Freight,	1,000.00	
Accounts receivable,	8,000.00	
Accounts payable,		10,000.00
Profit and loss,	3,446.50	
	$34,000.00	$34,000.00

If all the information required is not presented in this trial balance, supply what is wanting and submit the statements called for.

Ref. 8-6.

PROBLEM NO. 115.

(N.Y. C.P.A. Examination)

The trial balance of the A.B.Knitting mills at the close of business stands as follows:

Yarn (used)	$ 20,000	
Sales,		$ 65,000
Wages,	18,000	
Discounts received,		2,000
Dyeing,	10,000	
Power, light and heat,	2,500	
Boxes and cases,	1,000	
Repairs,	550	
Expense,	850	
Insurance,	125	
Salaries of officers,	2,000	
Taxes,	250	
Depreciation,	350	
Advertising,	1,000	
Traveling expenses,	900	
Returned goods,	800	
Commission,	1,500	
Discounts allowed,	355	
Interest on loans,	350	
Cash,	11,200	
Bills payable,		30,000
Customers' accounts,	18,000	
Accounts payable,		5,000
Inventory,	3,800	
Capital stock,		75,000
Machinery,	52,740	
Bills receivalbe,	30,730	
	$177,000	$177.000

Prepare manufacturing and profit and loss accounts , showing value of output and cost of manufacture. Make out a balance sheet.

Ref. 9-6.

PROBLEM NO. 116.

(N.Y. C.P.A. Examination)

The following accounts and balances appear on the books of a trader: capital $25,000, accounts payable $7,500, accounts receivable $5,000, bills receivable $1,250, bills payable $1,250, furniture $500, sundry investments $1,000, expenses $2,500, lease of factory $1,250, depreciation $250, purchases $50,000, sales $55,000, trade discounts received on purchases $2,500. The inventory of stock on hand December 31, 1900, amounts to $8,750.

Prepare from the foregoing accounts and figures the following: (a) trial balance, (b) trading account, (c) profit and loss account, (d) balance sheet.

Ref. 11-1.

[illegible]

[illegible]

[illegible] and following [illegible] books of [illegible] accounting records [illegible] [illegible] purchases [illegible] accounts received on purchases [illegible] on hand December 31, [illegible] amounted to [illegible]

[illegible] the foregoing accounts and figures the following: (a) trial balance, (b) trading account, (c) profit and loss account, (d) balance sheet.

[illegible]

PROBLEM NO. 117.

(N.Y. C.P.A. Examination)

From the following trial balance, prepare a trading account, profit and loss account and balance sheet as of December 31, 1901:

Buildings,..	$ 24,000	
Plant and machinery,..........................	6,000	
Furniture and fixtures,........................	1,800	
Investments,.......................................	8,700	
Goodwill,...	12,900	
Partners' capital, January 1, 1901,...........		$112,500
Drawing account,................................	2,775	
Cash in bank,.....................................	10,500	
Cash in safe,......................................	375	
Bills receivable,..................................	5,250	
Bills payable,.....................................		4,575
Sundry debtors,..................................	11,700	
Sundry Creditors,................................		5,790
Purchases,...	51,000	
Sales,...		80,250
Taxes etc.,..	2,055	
Salaries,..	7,125	
Traveling expenses,.............................	1,275	
Light, heat and power,.........................	510	
Freight, outward,.................................	1,365	
Wages,..	19,755	
Discounts and allowances,.....................	405	
Sundry selling expenses,.......................	1,110	
Insurance,..	345	
Bad debts,..	1,170	
Inventory, January 1, 1901,....................	33,000	
	$203,115	$203,115

Write 2% off buildings, 7-1/2% off plant and machinery and 10% off furniture and fixtures. Charge 5% interest on partner's capital from January 1, 1901.

The inventory value of goods on hand December 31, 1901 is $46,080.

Ref. 12-1.

(N.Y. C.P.A. Examination)

From the following trial balance of the Excelsior Ribbon Co., prepare income and profit and loss accounts for the six months ending June 30, 1902, and balance sheet for that date:

Capital stock		
Perferred, 250 shares at $100,		$ 25,000.00
Common, 300 shares at $100,		30,000.00
Machinery,	$ 24,500.00	
Inventory, Dec. 31, 1901,	78,620.15	
Accounts receivable,	63,428.30	
Materials purchased		
Silk (raw, spun and thrown),	124,326.80	
Ribbon paper, boxes, labels etc.,	3,728.05	
Labor		
Weaving,	29,384.07	
Throwing,	10,976.25	
Dyeing,	8,563.43	
Warping, winding etc.,	15,721.18	
Fixing and preparing looms,	1,270.60	
Sales of ribbon, less returns,		265,123.74
Sales, miscellaneous,		2,507.26
Discounts on purchases,		120.56
Profit and loss - surplus, Dec. 31, 1901,		23,528.74
General expenses		
Salaries, officers and clerks,	5,238.75	
Engineers etc.,	2,068.17	
Rent of mill,	2,500.00	
Commissions,	17,856.50	
Fuel, lighting etc.,	2,370.60	
Other expenses (including ins. $285),	7,650.39	
Bills payable,		57,235.95
Interest on bills payable,	1,586.36	
Accounts payable,		6,875.95
Cash in bank,	9,876.25	
Cash in safe,	726.35	
	$410,392.20	$410,392.20

In your statements provide for the following: dividends declared at the rate of 3-1/2% on perferred stock and 3% on common stock; depreciation on machinery 15%; prepaid insurance $48.25; labor accrued but not due (estimated) $1,850; taxes accrued but not due (estimated) $250; inventory, June 30,1902, $96,385.50.

Ref. 13-1.

(N.Y. C.P.A. Examination)

The following is the trial balance of the Arlington Manufacturing Company at the close of business December 31,1904, the end of the second fiscal year of the company's operations:

Cash,	$ 25,324	
Land,	100,000	
Buildings,	200,000	
Machinery,	300,000	
Tools and implements,	40,430	
Horses, wagons, and harness,	30,000	
Office furniture,	5,201	
Bills receivable,	25,812	
Accounts receivable,	163,374	
Investments,	20,000	
Salesmen's accounts, advances on salaries,	1,860	
Organization exp. $15,000 - less 2%,	14,700	
Goodwill,	200,000	
Bills payable,		$ 42,000
Accounts payable,		98,511
Special accounts - officers and clerks,		15,363
Reserve for bad debts - less accounts written off,		112
Reserve for depreciation-buildings 2-1/2%,		5,000
" " " machinery 6%,		18,000
" " " horses, wagons, etc. 10%,		3,000
Capital stock 10,000 shares @$100,		1,000,000
Sales less returns and allowances,		1,240,600
Rent of part of business premises,		500
Inventory Dec. 31, 1903,	104,621	
Purchases including furniture and cartage,	395,662	
Labor - factory payrolls,	600,400	
Salaries of officiers, clerical force,	75,120	
Salaries of salesmen,	60,440	
Advertising,	50,300	
Taxes,	4,020	
Insurance,	2,600	
Interest and discount,	6,500	
Expenses, stable, office legal and unclassified,	29,750	
Maintenance - repairs, buildings, machinery, horses and wagons,	26,942	
Profit and loss 1903 surplus,		60,070
	$2,483,156	$2,483,156

NOTE:

I	Inventory Dec. 31, 1904,........................	$270,560
	Factory payrolls accrued but not paid,........	5,750
	Unexpired insurance,..........................	912

From the foregoing trial balance and notations, prepare a Trading Account and a Profit & Loss Account, writing off 2% of organization expense. After stating thh net profits for the current year, make the same reserves for depreciation as were made at the end of the first or preceding year. Show as a final balance at credit of Profit & Loss the surplus available for dividends. Also prepare a balance sheet as at December 31, 1904.

Ref. 20-2.

PROBLEM NO. 120.

(N.Y. C.P.A. Examination)

The following is the trial balance of Bailey & Co. as taken from their ledger December 30,1905.

Cash,....................................	$ 3,112	
Bills receivable,........................	14,900	
Accounts receivable,.....................	22,750	
Bills payable,...........................		$ 2,006
Accounts payable,........................		9,121
Loans at 6 per cent,.....................		5,000
Warehouse receipts,......................	8,351	
Merchandise inventory,...................	28,900	
Store property,..........................	20,000	
Mortgage on store property at 5 per cent,.		10,000
Unimproved real estate,..................	6,000	
Store fixtures,..........................	5,000	
Depreciation on store fixtures (1904),....		500
Horses and wagons,.......................	2,500	
Capital stock, 750 shares at $100,........		75,000
Profit and loss, surplus,................		2,573
Purchases,...............................	132,251	
Sales,...................................		152,439
Discounts,...............................		103
Rents,hall over store,...................		250
Taxes,...................................	156	
Interest,................................	800	
Heat and light,..........................	375	
Salesmen and wages of employees,.........	4,912	
Officer's salaries,......................	4,000	
Miscellaneous expenses and losses,........	2,985	
	$256,992	$ 256,992

Merchandise inventory Dec. 30, 1905, $30,254.

Prepare a trading and profit and loss account for the fiscal year 1905 and a balance sheet as at the close thereof. Reserve 1 per cent. of the open accounts receivable to cover bad debts, a further 10 per cent. from office furniture and 20 per cent. from horses and wagons to cover depreciation.

Ref. 21-6.

PROBLEM NO. 121.

(N.Y. C.P.A. Examination)

A land development company organizes with a capital of $30,000 of which $5,000 is issued for organization expenses.

The company ppurchases a tract of land for $50,000, giving a mortgage of $34,000 in part payment, and expends $13,000 for surveys, grading etc., part in cash and part on book account. The company also erects two similar dwelling houses at a cost of $13,000, part in cash, part on book account and part on sites within its land, representing a further value of $1,200. One of said houses is sold for $9,000.

The sales of lots amount of $30,200, including purchase money mortgages taken to secure part consideration on which interest to the amount of $750 is received, said mortgages being in turn pledged by the company for a loan.

The company pays $11,300 on account of the $34,000 mortgage, to release from incumbrance lots sold, and gives notes in settlement of book accounts to the sum of $4,000.

The cash transactions are as follows, viz:

Receipts		Payments	
Capital stock,..........	$25,000	Organization expenses,..$	625
Purchaser's accounts,...	20,825	Land purchased,.........	16,000
Loan,...................	12,000	Surveying and grading,..	6,000
Commissions and fees,...	905	Accounts payable,.......	1,000
		Bills payable,..........	3,000
		Construction of dwellings,............	7,000
		Mortgage payable,.......	11,300
		Interest,...............	1,719
		Expense, rent, salaries etc.,................	7,500
			$54,144
		Balance,................	4,586
	$58,730		$58,730

Inventory: land $42,000, dwelling $7,100.

Prepare ledger accounts, profit and loss accounts and balance sheet.

Ref. 22-4

PROBLEM NO. 122.

(N.Y. C.P.A. Examination)

The general ledger of Ward and West at the close of the fiscal year ending 31st December, 1906, displays the following accounts and balances:

	Dr.	Cr.
Cash	13,050	
Bills receivable	6,300	
Bills payable		5,000
Accounts receivable	14,040	
Accounts payable		6,948
Real estate	28,800	
Machinery and tools	7,200	
Furniture and Fixtures	2,160	
Inventory of materials and wares at 31st December, 1905	39,600	
Purchases of materials and supplies	61,200	
Sales		96,300
Investment securities	10,440	
Taxes	2,466	
Insurance	414	
Salaries of partners	8,000	
Salaries of clerks	3,550	
Wages of workmen	20,706	
Traveling expenses	1,530	
Discount	486	
Light and heat	612	
Freight and expressage on goods sold	1,638	
Office and sundry unclassified expenses	1,332	
Bad debts written off	1,404	
Ward, personal drawings in excess of salary	2,220	
West, personal drawings in excess of salary	1,110	
Ward, capital investment		90,000
West, " "		45,000
Goodwill of business acquired by purchase	15,480	
Income from investments		490
	243,738	243,738

Residuary values at 31st December, 1906

Inventory of materials and wares	55,776
Unexpired insurance	130
Wages accrued for part of week	223

Reserves to be provided 114

Depreciation on real estate---------------------------- 1%
" " machinery and tools-------------------- 6%
" " furniture and fixtures----------------- 10%
Bad debts, including accounts written off, 2% of sales

Prepare a business and a financial statement in technical form, resting the trading account with prime cost only, treating the income from investments as supplementary to net profits on trading and treating the partners' salaries and reserves as applications of profits. Profits to be divided among partners in proportion to the capital investments of each.

Ref. 23-5.

PROBLEM NO. 123.

(N.Y. C.P.A. Examination)

A land company is incorporated with a capital of $50,000. It purchases a tract of 104 acres of land at $500 an acre, paying therefor $32,000 in cash and giving capital stock for the remainder of the consideration, and at the same time giving a mortgage to a title guarantee company to secure a loan of $35,000, which is to be satisfied by partial payments as lots are sold and released.

Obligations are incurred on book account as follows: for organization expense $619: for grading and paving $23,400; for water mains (a separate enterprise to be reimbursed by service charges when ready for operation) $4,000

Direct expenditures of cash are made for organization expense $537; for grading and paving $11,060; for water mains $1,020; for maps $700; for advertising $1,200; for salaries and expenses $8,679. Settlements are made with creditors by cash $8,784 and by capital stock issue $10,000; the remaining capitol stock is issued for cash.

Lots sold on purchase money mortgages $24,857; installments collected $9,442; cancellation of title company mortgage on lots sold $8,050, and purchase money mortgages pledged for loan of $10,000.

Interest paid to title company $1,849; interest received on purchase money mortgages $924. Inventory of lots unsold, including improvements at cost $66,575, to which latter 10% is to be added for appreciation of value. Maps on hand $500. Prepare (a) cash summary, (b) skeleton ledger accounts, (c) profit and loss account, (d) balance sheet, covering the transactions above stated.

Ref. 25-1.

(C.P. C.P.A. Examination)

A land company is incorporated with a capital of $[illegible]. It purchases a tract of 100 acres of land at $[illegible] an acre, paying the vendor $[illegible] in cash and giving capital stock for the remainder of the consideration, and at the same time giving a mortgage to a title guarantee company to secure a loan of $[illegible], which is to be liquidated by partial payments as lots are sold and conveyed.

[illegible] and incurred or book account as follows: For organization expense $[illegible]; for grading and paving $[illegible]; for water mains (a separate enterprise to be reimbursed by a water charge when ready for operation) $4,000

Direct expenditures of cash are made for organization expense $[illegible]; for grading and paving $11,000; for water mains [illegible]; for maps $750; for advertising $1,600; for salaries and expenses $8,678. Settlements are made with creditors by cash $[illegible] and by capital stock issue, $[illegible]; the remaining capital stock is issued for cash.

[illegible] $[illegible] [illegible] and purchase money mortgages pledged for loan of $10,[illegible].

Interest paid to title company $1,848; interest received on purchase money mortgages $[illegible]. Inventory of lots unsold, [illegible] Maps on hand $[illegible]. Prepare (a) cash summary, (b) skeleton ledger accounts, (c) profit and loss account, (d) balance sheet, covering the transactions above stated.

[illegible]

(N.Y. C.P.A. Examination)

At the close of the year 1907 the books of a manufacturing company show a credit balance in the profit and loss account of, ... $220,000
and a merchandise account, based on appraisements of inventory at selling prices, of, ... 36,000
but an appriasement of the same inventory at cost prices would amount to, ... 27,000

The trading income, and profit and loss accounts for the year 1908 show the following balances:

Sales, ...	100,000
Discount on sales, ...	1,500
Returns and allowances, ...	500
Purchases, ...	75,000
Freight on purchases, ...	3,000
Discount on purchases, ...	600
Shipping expenses, ...	2,000
Selling expenses, ...	5,000
Office and general expenses, ...	10,000
Insurance, ...	300
Taxes, ...	200
Depreciation of machinery, fittings and furniture, ...	1,000
Accounts written off as uncollectible, ...	300
Interest on notes and accounts receivable, ...	1,900
Interest on notes and accounts payable, ...	700

At the end of the year 1908 the books were closed on the basis of an inventory, appraised at selling prices, amounting to, ... 40,000

If this inventory had been appraised at cost prices it would have amounted to, ... 30,000

Prepare from these items one statement showing the correct trading and income results for the year, and another statement of Profit and Loss Account opened with the credit balance shown by the books at the beginning of the year.

Ref. 26-5.

PROBLEM NO. 125.

(N.Y. C.P.A. Examination)

On January 1,1908, the condition of a small trading company as determined by an examination of that date was as follows:

ASSETS		
Furniture and fixtures,..........................	$2,000	
Cash,..	500	
Notes receivable,................................	3,000	
Accounts receivable,.............................	5,000	
Merchandise on hand,.............................	4,000	
		$14,500
CAPITAL STOCK AND LIABILITIES		
Capital stock,...................................	$5,000	
Notes payable,...................................	3,000	
Accounts payable,................................	6,000	
Surplus,...	500	
		$14,500

During the month of January the bookkeeper made all entries in the cash book and in the sales books, but made no journal entries and did not post his ledger. In addition to the entries appearing on the cash book and on the sales books the following transactions took place during January: merchandise purchased on credit amounting to $6,000: notes payable amounting to $6,000 renewed, special allowance of $500 made to customers.

The credit sales journal had two columns, one for the billed amounts and the other for the cost of the goods sold. The billed amount was $8,000 and the cost was $5,000.

The following statement gives a summary of the cash receipts and disbursements for January:

Cash received:		
Collected from customers,........................	$4,000	
Collected on note receivable,....................	2,000	
Collected on merchandise sold and not entered on sales book (cost price $500),..................	600	
Total cash received,.............................		$6,600
Cash payments:		
Interest on notes payable,.......................	$ 45	
Salaries,..	500	
Rent,..	200	
Sundry expenses,.................................	300	
Accounts payable,................................	5,000	
Total disbursements,.............................		$6,045

Prepare balance sheet, January 31,1908, and statement of profit and loss based on the book value of the merchandise.

Ref. 26-6

PROBLEM NO. 126.

(N.Y. C.P.A. Examination)

The output of the A. B. C. Coal Company for the year ending December 31, 1899, was 1,567,833 tons and the trial balance of that date was as follows:

Plant, machinery, etc.	$5,000,000.00	Capital stock,.	$5,000,000.00
Construction (inprocess),............	85,790.50	Sales,.........	3,857,642.76
Bills receivable,....	63,000.00	Accounts payable,......	89,451.26
Accounts receivable,.	21,650.29		
Cash,...............	98,752.31		
Materials (10% inventory),............	145,853.20		
Coal on hand, Jan, 1, 1899,.............	12,750.36		
Wages,..............	1,973,376.89		
Supplies (10 % inventory),............	389,402.20		
Injuries to persons,.	10,000.00		
Salaries,...........	45,750.00		
Insurance,..........	20,482.00		
Taxes,..............	26,597.40		
Office expenses,.....	29,872.50		
Legal expenses,......	36,731.09		
Dividends,..........	150,000.00		
Rentals and royalties,	262,530.20		
Freight outward,......	361.951.17		
Horse and wagon hire,.	109,532.10		
Allowances,..........	94,321.60		
Miscellaneous,.......	8,750,21		
	$8,947,094.02		$8,947,094.02

Coal on hand, per inventory, $15,862.70.

From the foregoing prepare a balance sheet, and income and profit and loss account, the latter to show gross earning and net earnings.

Ref. 28-5.

PROBLEM NO. 127.

(N.Y. C.P.A. Examination)

The trial balance of the Vincent Manufacturing Company as of December 31, 1906, is given below. Inventory December 31,1906, $90,000.00.

Prepare a statement of profit and loss and income, showing (a) cost of manufacture, (b) cost of selling, (c) cost of administration, (d) net profit, (e) surplus.

TRIAL BALANCE

Discounts, trade,.................. $	4,030.00	
Entertainment of customers,........	2,000.00	
Machinery inventory December 31, 1906,..........................	40,000.00	
Tools, inventory December 31,1906,.	8,500.00	
Patent inventory December 31,1906,.	21,000.00	
Patterns inventory December 31, 1906,..........................	12,400.00	
Merchandise consumed,..............	410,000.00	
Bills receivable,..................	3,050.00	
Accounts receibable,...............	250,000.00	
Insurance:		
Machinery,tools and patterns,....	500.00	
Merchandise,.....................	650.00	
Employer's liability premiums,.....	4,000.00	
Taxes, personal property,..........	1,000.00	
Interest,general,..................	4,470.00	
Cash,..............................	45,000.00	
Labor,productive,..................	300,000.00	
Labor,unproductive,................	35,000.00	
Power,.............................	21,000.00	
Repairs, machinery,................	1,310.00	
Factory expenses,..................	3,010.00	
Office pay roll,...................	18,000.00	
Inventory January 1,1906,..........	75,000.00	
Merchandise sales,..................		$1,048,500.00
Allowances,........................	10,900.00	
Office furniture and fixtures,.....	5,700.00	
Salaries, officers',...............	15,000.00	
Postage,...........................	2,000.00	
Telegrams and telephones,..........	1,800.00	
Collection and exchange,...........	700.00	
Stationery and printing,...........	3,050.00	
Freight,in,........................	23,000.00	
Freight,out,.......................	10,000.00	
Cartage and express,in,............	3,750.00	
Bonding of employees (office),.....	250.00	
Traveling expenses (salesmen),.....	17,500.00	
Salesmen's commission and salaries,........................	40,000.00	

Bills payable,......................		$ 99,050.00
Accounts payable,...................		43,000.00
Surplus,............................		43,520.00
Capital stock,......................		200,000.00
Director's fees,....................	$ 1,500.00	
Cartage, out,.......................	4,300.00	
Discounts, trade,...................		6,300.00
Return sales account,...............	41,000.00	
	$1,440,370.00	$1,440,370.00

Ref. 29-2.

(N.Y. C.P.A. Examination)

From the following trial balance of Johnson & Thompson, Incorporated, as of June 30, 1910, the end of their fiscal year, prepare a manufacturing and profit and loss account and financial statement:

Cash on hand,		$ 75.00	
Cash in bank,		3,750.00	
Inventory July 1, 1909			
Raw marterial,		33,480.00	
Finished goods,		9,760.00	
Sales,			$540,000.00
Return sales,		8,463.00	
Freight and express outward,		935.00	
Purchases,		195,670.00	
Accounts payable,			37,600.00
Bills payable,			8,500.00
Accounts receivable,		45,920.00	
Bills receivable,		1,925.00	
Wages,		232,927.00	
Fuel,		11,270.00	
Factory supplies,		3,648.00	
Cash discount on purchases,			4,763.00
Freight and express inward,		7,433.00	
Land,		27,000.00	
Buildings,		18,000.00	
Machinery and tools,		80,000.00	
Maintenance and replacement of machinery and tools,	$10,580.00		
Less amount received from old machinery and tools,	6,750.00	3,830.00	
Mortgages payable, 6% interest paid to May 1, 1910,			17,000.00
Reserve for bad and doubtful accounts,			1,280.00
Suspense account			
Worthless accounts receivable,		679.00	
Patent rights - disbursements,		320.00	
Depreciation - buildings, machinery and tools,			4,900.00
Advertising,		670.00	
Traveling expenses,		3,700.00	
Office expenses,		5,300.00	
Salaries of officers,		12,300.00	
Dividends,		12,500.00	
Interest,		700.00	
Discount on sales,		2,760.00	
Capital stock,			$100,000.00
Surplus,			8,972.00
		$723,015.00	$723,015.00

Inventory June 30, 1910:

Raw material,..............................	$ 27,698.00
Partly finished goods,....................	11,590.00
Fuel,.......................................	1,200.00

The reserve for bad and doubtful accounts must equal 2% of the accounts receivable.

Although machinery and tools are maintained and replaced, 5% depreciation must be allowed on them as well as 5% depreciation on buildings.

Ref. 30-4.

PROBLEM NO. 129.

(N.Y. C.P.A. Examination)

An examination of the books, records and accounts of the Pinta and Mercedes Mining Co., for the month of June, 1911, discloses:

Materials and supplies consumed $9,300; wages: miners $1,530, surfaces and warehousemen $475; stablemen and drivers $175; general labor $45; administration expenses $4,250; taxes $130.40; balance of wages unpaid $135; royalties paid on leased lands not operated $125; feed consumed and sundry stable expenses $330; spent out of funded reserve for injuries $500.

Mining operations: ore mined 1020 tons; brought to the surface and warehoused 950 tons; sent to the assay office 1,115 tons; charged by assay office for analysis and assay $10 per ton; cost of transportation to assay office 20 cents per ton; shipped from assay office to Mexican Smelters Co. 1,295 tons; sale price $40 per ton; cost of shipment 45 cents per ton;; charged by smelters for difference in assay $200. Ore inventories May 31, 1911; in assay office, 180 tons; $396; in mine galleries, 250 tons, $375; in warehouses, 500 tons, $1,000.

Reserves: for leveling of land $50; for depreciation of machinery $300; for exhaustion of mines 10 cents per ton. Repairs to machinery amount to $50 and are included in administration expenses.

Discarded during the period seven narrow gauge wagons, cost altogether $350, aggregate residual value $20.

Prepare a statement of income and profit and loss for the month of June, 1911, showing the ton status and the location of the ore inventories on June 30, and the labor and transportation cost per ton of ore sufaced and warehoused, sent to a assay office and shipped.

Ref. 33-2.

PROBLEM NO. 130.

(N.Y. C.P.A. Examination)

A land development company, capitalized at $425,000 on January 1, 1911, owns a large parcel of land in Westchester county. $400,000 of the capital stock has been issued for the land which has been divided into one thousand (1,000) lots of equal dimensions. The organization consists of an administrative office located in New York City and an agency office located in White Plains. At the head of the White Plains office there is a manager who receives a compensation of 3 per cent of the gross sales. The terms of his contract compel him to keep a set of books in which the entries are made from menoranda submitted by the New York office, and debar him from selling any lot at a price less than the book value at which it stands. All expenses are to be borne by the New York office.

In connection with accounting, the company's policy is to Capitalize yearly, at December 31, by prorating over the lots unsold: (a) the interest, at 4 per cent, on the book value of the lots unsold at January 1 of the prior year, (b) the operating losses, if any, of the period just closed. It is understood, however, that if the operating results of any period are adequate for the purpose, they will be applied to offset the capitalization of losses of former years.

The cash book kept at the New York office shows for the two years ended December 31, 1912:

Receipts	12/31/11	12/31/12
Capital stock,..	$ 3,000	
Sales(60 lots)*	19,000	
Sales(160 lots)		$54,425
Interest on purchase money mortgage,....	300	2,000
Deposits to secure sales,..		215
	$22,300	$56,640

Disbursements	12/31/11	12/31/12
Office expense, New York,.....	$ 1,435.00	$ 1,650.00
Office expense, White Plains,.	2,647.82	2,530.50
Salaries of selling agents	8,500.00	9,000.00
Compensation- White Plains manager,......	870.00	
Advce.to man. White Plains office,.......		1,500.00
	$13,452.82	$14,680.50

The general ledger, which has not been closed for the two years of the company's life, shows at December 31,1912: purchase money mortgage, $38,000; investment in land, $400,000. The sale price of the lots has been obtained from memoranda established by the president of the company and now in possession of the officers of the company, as well as of the White Plains manager.
* Sold for $29,000.

Ref. 34-2.

You have been retained to close the books as of December 31,1912, and to submit financial statements.

Prepare:
(a) The balance sheet at close of business December 31,1912
(b) The general ledger accounts for the two years ending December 31, 1912, whether closed or remaining open.

Ref. 34-2.

164

(N.Y. C.P.A. Examination)

On June 30, 1913, X and Y, partners, operating a manufacturing plant, incorporated under the laws of the State of New York as the X and Y manufacturing Company with an authorized capital of $500,000. The corporation purchased all of the assets and assumed all of the liabilities of the partnership as set forth in a balance sheet dated June 30, 1913, giving as consideration its entire issue of capital stock, which stock was all taken by X and Y.

BALANCE SHEET, JUNE 30, 1913

ASSETS

Plant and machinery,	$175,000.00
Material on hand, per inventory,	102,625.00
Accounts receivable,	113,750.00
Notes receivable,	7,500.00
Cash,	32,125.00
Total,	$431,000.00

LIABILITIES

X - capital,	$240,000.00
Y - capital,	160,000.00
Accounts payable,	26,250.00
Notes payable,	3,500.00
Wages due and unpaid,	1,250.00
Total,	$431,000.00

The change in organization was not reflected on the books at the time of incorporation, but at the close of the first fiscal year (June 30, 1914) of the corporation's existence the condition of the book was shown by the following trial balance.

TRIAL BALANCE, JUNE 30, 1914

X - capital,		$240,000.00
Y - capital,		160,000.00
Plant and machinery,	$187,500.00	
Material, per inventory, June 30, 1913,	102,625.00	
Sales,		657,025.00
Purchases,	240,000.00	
Labor,	172,500.00	
Office salaries,	35,000.00	
Traveling expenses,	12,000.00	
Interest,	3,000.00	
Stationery and printing,	875.00	

On June 30, 1913, X and Y, partners operating a manufacturing plant, incorporated under the laws of the State of [illegible] as the X and Y Manufacturing Company with an authorized capital of $500,000. The corporation purchased all of the assets and assumed all of the liabilities of the partnership as set forth in a balance sheet dated June 30, 1913, giving as consideration the entire issue of capital stock, which stock was all taken by X and Y.

BALANCE SHEET, JUNE 30, 1913

ASSETS

Plant and machinery	[illegible]
Material on hand, per inventory	[illegible]
Accounts receivable	[illegible]
Notes receivable	[illegible]
Cash	[illegible]
Total	[illegible]

LIABILITIES

X - capital	[illegible]
Y - capital	[illegible]
Accounts payable	[illegible]
Notes payable	[illegible]
Wages due and unpaid	[illegible]
Total	[illegible]

The change in organization was not reflected on the books at the time of incorporation, but at the close of the first fiscal year (June 30, 1914) of the corporation's existence the condition of the books was shown by the following trial balance.

TRIAL BALANCE, JUNE 30, 1914

X - capital		[illegible]
Y - capital		[illegible]
Plant and machinery	$187,500.00	
Material, per inventory June 30, 1913	[illegible]	
Sales		[illegible]
Purchases	[illegible]	
Labor	[illegible]	
Office salaries	172,500.00	
Traveling expenses	[illegible]	
Interest	[illegible]	
Stationery and printing	875.00	

Rent and taxes,..................	$ 21,000.00	
Discount and allowances,..........	11,250.00	
Fuel,..........................	23,000.00	
Insurance,......................	875.00	
Freight inward,..................	8,750.00	
Commission,......................	31,875.00	
Advertising,.....................	2,500.00	
Notes receivable,................	30,575.00	
Notes payable,...................		$ 5,500.00
Accounts receivable,.............	180,575.00	
Accounts payable,................		39,250.00
Cash,..........................	37,875.00	
	$ 1 101,775.00	$ 1,101,775.00

Depreciation on plant and machinery, 5%; unexpired insurance, $375; bad debts, $1,625; inventory of material on hand, June 30, 1914, $98,025.

Make such entries as would convert the partnership books into those of the corporation, and prepare a statement of income and profit and loss for the year July 1, 1913, to June 30, 1914, and a balance sheet of June 30, 1914.

Ref. 38-1.

PROBLEM NO. 132.

(N.Y. C.P.A. Examination)

The following is a trial balance of the Coal Mining and Development Company as of December 31,1908:

TRIAL BALANCE - DEC. 31, 1908

Cash,	$ 5,674.50	
Breaker and machinery,	145,000.00	
Office building,	5,000.00	
Blacksmith shop,	4,000.00	
Inside construction,	15,675.00	
Car and mine rail account,	7,534.50	
Horses and mules,	5,600.00	
Accounts receivable,	35,112.25	
Bills receivable,	10,000.00	
Capital stock - common,		$ 50,000.00
Captial stock - preferred,		100,000.00
Coal sales,		257,890.00
Accounts payable,		12,500.00
Surplus,		17,709.35
Depreciation on buildings and machinery,		12,000.00
Supplies,	8,240.00	
Pay roll - outside,	24,701.50	
Pay roll - inside,	110,434.25	
Salaries - supt. etc.,	6,000.00	
Salaries - office clerks,	4,500.00	
Office expense,	1,147.35	
General expense,	750.00	
Claims for injuries,	4,000.00	
Insurance (expires July 1, 1909),	5,500.00	
Repairs to buildings,	4,075.00	
Repairs to construction,	3,445.00	
Barn expense,	1,500.00	
Selling expense,	4,500.00	
Royalty account,	30,500.00	
Water,	800.00	
Fuel,	935.00	
Timber and props,	5,475.00	
	$450,099.35	$450,099.35

The total output for the year was 132,300 tons.

An examination of the books and records show that the following charges had not been entered: horses and mules $2,200, car and mine rail account $1,450, claims for injuries $1,000. During the year the bookkeeper through error charged to Inside Construction $3,415 instead of to Pay Roll Inside.

The coal is mined on lease which averages 20 cents per ton. The inventory is as follows: timber and props $1,500, powder $555, oil etc. $175. In preparing the above statements, allowance for depreciation on buildings and machinery may be considered at the rate of 5%.

Prepare income and profit and loss account and balance sheet, as at the above date, showing gross earnings and net earnings, also the average cost per ton.

Ref. 41-6.

PROBLEM NO. 133

(N.Y. C.P.A. Examination)

From the following, prepare these statements: cost of manufacturing and gross profit, cost of selling and administration and net profit, surplus account.

Gross Sales
Return sales
Trade discounts
Commission for purchases
Traveling expenses for buying
Allowances
Cartage - outward
Freight - outward
Raw material
Freight - inward
Cartage - inward
Productive labor
Storage - raw material
Unproductive labor
Income from real estate
Cash discounts gained
Insurance - tools
Insurance - merchandise
Taxes - personal
Depreciation - patents
Depreciation - furniture and fixtures
Depreciation - debts

Power
Factory expense
Depreciation - tools
Depreciation - patterns
Depreciation - machinery
Repairs - machinery
Increase in inventory
Selling commissions
Salesmen's salaries
Salesmen's traveling expenses
Officers' salaries
Clerks' salaries
Telegrams and telephones
Postage
Collection and exchange
Stationery and printing
Bonding of office employees
Directors' fees
Interest on bonds
Interest - general
Upkeep, taxes and interest on real estate
Surplus former period
Salaries of watchmen

Ref. 46-1.

(N.Y. C.P.A. Examination)

The directors of the Red Indian Coal Company have requested the the company's auditor to prepare a profit and loss statement of the company's operations for the year 1919, such statement to show the profits for the year, the amounts due the four salesmen and the net income distributable in the form of dividends, with a recommendation as to the amount the directors may safely declare therefrom as a dividend for 1919. You are expected to furnish a balance sheet after closing.

Under arrangement made by the sales manager, with the approval of the board of directors, four of the salesmen, Smith, Jones, White and Black, were to receive as compensation, in addition to their salaries, the following percentages of the year's earnings, measured by the net income: Smith 25%, Jones 12-1/2%, White 6-1/4% and Black 6-1/4%. Furnish the financial statements as above requested.

TRIAL BALANCE, DECEMBER 31, 1919

Real estate,..........	$ 94,000	Capital stock,.........	$422,000
Plant and machinery,..	80,000	Sales,.................	438,350
Patents and goodwill,.	160,000	Accounts payable,......	20,000
Inventory, Jan. 1, 1919,.	58,000	Notes payable,.........	52,000
Purchases,............	165,000	Dividends on stocks owned,...............	3,000
Labor,................	176,000	Rentals,...............	4,000
Coal,.................	12,000		
Salaries, general,....	22,000		
Salaries, management,.	10,000		
Insurance,............	1,750		
Repairs,..............	2,000		
Claims and allowances,	12,500		
Prepaid freight (included in invoice price),............	3,000		
Interest and discount,	1,500		
Cash,.................	16,000		
Investments,..........	31,000		
Miscellaneous expenses	8,600		
Accounts receivable,..	84,000		
Deficit, Jan. 1, 1919,.	2,000		
	$939,350		$939,350

Inventory December 31, 1919, $53,000.

Ref. 49-3.

PROBLEM NO. 135.

(N.Y. C.P.A. Examination)

The Clark Company publish a magazine which is issued on the 15th of the month. They contract for the printing and binding and make equal semimonthly payments to the contractor.

A summary of their transactions from October 15, to December 31, 1918, is as follows: payments on printing and binding contract \$25,000: subscriptions obtained \$40,200 of which \$200 represents unearned subscriptions; office expenses \$4,500; office salaries \$10,000. The office equipment is valued at \$5,000. There are unpaid subscriptions amounting to \$17,000; cash on hand \$10,000; unpublished manuscripts \$4,500; due to authors \$2,000; accounts payable \$4,000. The company have capital stock outstanding \$25,000 and a surplus on October 15, 1918, of \$4,800.

Prepare a profit and loss statement for the period from October 15 to December 31, 1918, and a balance sheet as of December 31, 1918.

Ref. 50-1.

(N.Y. C.P.A. Examination)

The treasurer of the International Manufacturing Company submitted the following figures taken from the ledger of the company, as representing the condition of the business, December 31,1912:

Cash,		$ 7,500	
Accounts receivable,		45,000	
Notes receivable,		1,875	
Inventory:			
Raw materials,	$20,000		
Labor,	30,000		
Manufactured goods,	16,250	66,250	
Accounts payable,			$ 5,875
Notes payable,			20,000
Capital stock,			80,000
Surplus, December 31,1912,			14,750
		$120,625	$120,625

A comparion of the above statement with a former one showed a net loss, for the period, of $6,250. The directors had expected a profit, basing their expectations on the result obtained by applying their cost calculations to the volume of sales for the period, and they employed an accountant to investigate the matter. All the Nominal Accounts had been closed into either the Merchandise Account or the Profit and Loss Account, and an analysis of these accounts disclosed the following:

Inventory at beginning of period:	
Raw material,	$ 22,500
Labor,	32,500
Manufactured goods,	55,000
Purchases during period,	50,000
Labor,	87,500
Wages,	10,000
Traveling expenses, commissions,etc	26,250
Salaries,	19,000
Rent,	3,750
Bad debts,	6,375
Depreciation,	1,500
Interest,	625
Sales,	250,000
Returned sales,	7,500

The consumption of material and labor shown by the cost records was:

Material,	$ 45,000
Labor,	80,000

Prepare a statement showing any discrepancy that may exist in the above figures; also a statement of income and profit and loss, and a statement of assets and liabilities December 31,1912.

R
Ref. 51-2.

PROBLEM NO. 137.

(N.Y. C.P.A. Examination)

The following is a trial balance taken from the books of the Butler Manufacturing Company, December 31, 1905:

TRIAL BALANCE

Accounts payable,..................................		$ 107,500
Accounts receivable,........................	$ 625,000	
Bonding of employees (office),...........	625	
Capital stock,..............................		500,000
Cartage outward,...........................	10,750	
Cartage inward,............................	9,375	
Cash,.....................................	112,500	
Cash discounts on sales,.................	7,000	
Cash discounts on purchases,.............		3,000
Collection and exchange,.................	1,750	
Directors' fees,..........................	3,750	
Employers' liability premiums,...........	10,000	
Factory expenses,.........................	7,525	
Freight outward,..........................	25,000	
Freight inward,...........................	57,500	
Finished goods inventory, January 1,1905,.	87,500	
Insurance on machinery,tools and patterns	1,250	
Interest, general,........................	11,175	
Labor, productive,........................	750,000	
Labor, unproductive,......................	87,500	
Machinery and tools,......................	121,250	
Notes payable,............................		247,625
Notes receivable,.........................	7,625	
Office pay roll,..........................	45,000	
Office furniture and fixtures,...........	14,250	
Postage,..................................	5,000	
Power,....................................	52,500	
Patterns,.................................	31,000	
Patents,..................................	52,500	
Purchases,................................	1,026,625	
Raw material inventory, January 1, 1905,.	100,000	
Return sales,.............................	102,500	
Repairs, machinery,.......................	3,275	
Sales,....................................		2,621,250
Sales allowances,.........................	27,250	
Salesmen's traveling expenses,...........	43,750	
Salesmen's commissions and salaries,.....	100,000	
Salesmen's expenses,......................	5,000	
Salaries, officers,.......................	37,500	
Stationery and printing,..................	7,625	
Surplus,..................................		108,800
Taxes, income and personal,...............	2,500	

Telegrams and telephones, ...	$ 4,500	
Trade discounts on purchases, ...		12,750
Trade discounts on sales, ...	3,075	
	$3,600,925	$3,600,925

On December 31, 1905, the inventories were:

Raw material, ...	$150,000
Finished goods, ...	75,000

Prepare a statement of income and profit and loss, in report form, and a statement of assets and liabilities, December 31, 1905.

Ref. 51-3.

PROBLEM NO. 138.
(Illinois C.P.A. Examination)

The balance sheets of the Greenleaf Manufacturing Company at December 31,1913, and December 31, 1914, may be summarized as follows:-

	Dec. 31, 1913	Dec. 31, 1914
Goodwill	$ 200,000.00	$ 230,000.00
Land and Buildings	450,000.00	750,000.00
Machinery	200,000.00	400,000.00
Tools	40,000.00	80,000.00
Unexpired Insurance	3,000.00	4,000.00
Inventories	400,000.00	375,000.00
Accounts Receivable	175,000.00	250,000.00
Cash	25,000.00	20,000.00
Investments in Stocks and Bonds	95,000.00	
	$1,588,000.00	2,109,000.00
Capital Stock	$ 800,000.00	$ 1,100,000.00
Bonds	350,000.00	500,000.00
Bank and Other Loans	70,000.00	80,000.00
Accounts Payable	145,000.00	125,000.00
Accrued Interest	7,000.00	11,000.00
Accrued Taxes	4,000.00	6,000.00
Surplus	212,000.00	287,000.00
	$1,588,000.00	$ 2,109,000.00

During the year a dividend of 4% was declared and paid on the stock outstanding at the beginning of the year. $7,000.00 was provided for the depreciation of the buildings, $16,000.00 for machinery and $4,000.00 for tools. The bonds were sold for par, and the stock was sold at 90 and the difference was charged to Goodwill Account.

In the light of the above facts interpret the changes that have taken place in the financial position of the company between the two dates and, so far as possible, indicate how they were effected.

(N.Y. C.P.A. Examination)

The balance sheet of a joint stock company, January 1, 1897, shows the following state of affairs:

Capital stock,........	$200,000	Real Estate,..........	$ 50,000
Creditors, open account,............	16,000	Plant and machinery,..	85,000
Bills payable,.........	30,000	Horses and wagons,....	15,000
Profit and loss account,............	30,500	Patent and goodwill,..	20,500
		Inventory,.............	49,000
		Accounts receivable,..	35,000
		Cash in bank,.........	22,000
	$276,500		$276,500

A year later, January 1, 1898, after an audit of the books and accounts, the balance sheet stands as follows:

Capital stock,........		$200,000	Real estate,..........		$ 52,000
Creditors, open accounts,...........		17,000	Plant and machinery:		
Mortgage,.............		25,000	Balance Jan. 1,1897, 1897,........	$85,000	
Profit and loss account:			Less depreciation,....	8,500	76,500
Balance last yr,,........	$30,500		Horses and wagons:		
Profit this yr.,........	23,400	53,900	Balance Jan. 1,1897,.....	$15,000	
			Less depreciation,....	2,250	12,750
			Patents and goodwill,..........		20,500
			Inventory,............		65,000
			Accounts receivable,..		33,000
			Agency investments,...		15,000
			Cash in bank,.........		21,150
		$295,900			$295,900

From the foregoing it will be seen that for the year a net profit of $23,400 has been earned, while the accounts receivable are smaller, and the cash balance on hand is less than at the beginning of the year, though no dividend has in the meantime been paid. Prepare account showing what has become of the profits earned.

Ref. 4-3.

(N.Y. C.P.A. Examination)

The bookkeeper of a manufacturing concern could produce only the following statement from its records on January 1, 1907:

Manufacturing expenses,...............	$ 4,622.89
Capital stock,........................	10,000.00
Plant and equipment,..................	17,500.00
Cash,.................................	832.14
Gross sales,..........................	8,469.10
First mortgage bonds (due Dec.31,1907)	15,000.00
Materials and supplies (inventory),...	4,289.34
Notes payable,........................	5,000.00
Accounts receivable,..................	5,423.23
Accounts payable,.....................	2,436.28
Interest on bonds (7 months),.........	393.75
Interest on notes and accounts payable	282.40

On January 1, 1907, the management is changed and you are later retained as a public accountant to conduct an examination and prepare a balance sheet as of January 1, 1908.

You find that during the preceding year the directors have subscribed in cash to $7,500 additional capital stock and have retired all the notes and old accounts payable and that no interest was paid on these accounts for the year. You also find that the plant and equipment was revalued at $15,000 and 5% of this amount was charged off to provide for depreciation, while an additional 2-1/2% was ordered placed in Reserve Account to cover repairs and renewals, the entire 7-1/2% being charged direct to Profit & Loss. The bonds outstanding fell due on December 31,1907 and were paid, principal and interest, in cash.

An inventory of materials and supplies places their value at $2,328.19, the practice being to charge all purchases direct to Manufacturing Expenses and to credit back the amount of the inventory.

The accounts payable (all for material and noninterest bearing) amount to $546.28.

Of the accounts receivable, January 1, 1907, $4,968.18 was collected and the balance charged off as uncollectible.

In addition to the material used from stock during the year, and the amount still due for material purchased, the manufacturing expenses were $3,720.52, all paid in cash, the total manufacturing expenses being 31% of the gross sales for the year ending Jan. 1, 1908.

Of these 91.3% was collected in cash and the balance, all of which is considered good, remains on the books in accounts receivable.

Produce a comparative balance sheet of January 1, 1908-1907 and state the amount of gross sales for the year.

Ref. 24-3.

PROBLEM NO. 141.

(N.Y. C.P.A. Examination)

The following is a comparative balance sheet at December 31, 1910, and at December 31, 1911, presented to the board of directors of the Western Company at their meeting of January 5, 1912:

Assets	12/31/10	12/31/11
*Land	$ 20,000	$ 25,000
Buildings	45,000	45,000
Machinery and tools	86,000	89,000
Horse, wagon and harness	10,500	10,500
Patents	6,000	6,000
Goodwill	25,000	25,000
Cash	28,300	10,300
Accounts receivable	29,600	26,550
Investments - bonds		15,000
Inventory of goods in process	10,800	14,690
Inventory of materials and supplies	6,750	10,300
Agency investments		3,680
	$267,950	$281,020

Liabilities	12/31/10	12/31/11
Bond and mortgage payable 1915		$ 20,000
Notes payable	$ 35,000	2,000
Accounts payable	16,400	19,350
Reserves for depreciation	2,500	6,750
Discount on bonds		1,000
Capital stock:		
Preferred	150,000	150,000
Common	50,000	50,000
Surplus	14,050	31,920
	$267,950	$281,020

*Increase due to appraisal based on rise of values of factory sites in the immediate vicinity.

Together with the above balance sheet, there was submitted to the board a statement of income and profit and loss showing the profits of the year 1911 to have been $22,120. The directors state to the auditor that in view of the decrease of cash and accounts receivable, of the absence of dividends and of the increase of capital liabilities they are unable to ascertain what has become of the increased profits of the year. The auditor prepares and submits to the directors, before the meeting is adjourned, an account properly named, which is so arranged as to show clearly how the Western Company has applied such resources of the year 1910 as have been lost in 1911, and the resources and the profits of the year 1911.

Prepare the account submitted by the auditor.

Ref. 32-3

PROBLEM NO. 142.

(Illinois C.P.A. Examination)

The Jones Investment Company on June 30, 1915, obtained a controlling interest in three operating companies, viz., A Company, B Company and C Company. The balance sheets of the four companies at June 30, 1916, are as follows:-

Debits	Jones Investment Co.	A Company	B Company	C Company
Investments in other companies:				
A Co., 60% interest (cost $900,000.00)	$1,000,000.00			
B.Co., 75% interest at cost	600,000.00			
C Co., 80% interest at cost	400,000.00			
Advances to A Co. .	100,000.00			
Advances to C Co. .	50,000.00			
Cash	50,000.00	$ 100,000,00	$ 10,000.00	$ 50,000.00
Accounts Receivable		100,000.00	50,000.00	100,000.00
Inventories . . .		200,000.00	100,000.00	50,000.00
Plant		1,000,000.00	600,000,00	400,000.00
Deficit			40,000.00	
Total Debits	$2,200,000.00	1,400,000.00	800,000.00	600,000.00
Credits				
Capital Stock .	$2,000,000.00	$1,000,000.00	$800,000.00	$400,000.00
Jones Investment Co. . . .		100,000.00		50,000.00
Surplus . . .	200,000.00	300,000.00		150,000.00
Total Credits	$2,200,000.00	1,400,000.00	800,000.00	600,000.00

Surplus and Deficit Accounts as shown above may be analyzed as follows:				
Balance to June 30, '15	$100,000.00	$200,000.00	$ 4,000,00.	$100,000.00
Surplus Income:				
60 months to Dec. 31, '15 . . .		180,000.00	46,000.00	25,000.00
6 months to June 30, '16	217,000.00	220,000.00	40,000.00	25,000.00
Increase in value of A Cl. Stock . .	100,000.00			
Dividends Paid Jan., 1916	217,500.00	300,000.00	50,000.00	
Balance, June 30, '16	$200,000.00	$300,000.00	40,000.00	150,000.00
Debits	$200,000.00	$300,000.00		

Prepare a consolitated balance sheet of the four companies as at June, 30,1916.

A Statement of the Consolidated Earnings and Surplur Account for the year to June 30,1916, is not required, but may be submitted if desired.

In preparing the balance sheet, the following additional facts should be considered:

1. The holding company has no other source of income than the dividends from the subsidiaries, which have been taken onto its books when received.

2. In accordance with a resolution of the Board of Directors of the Jones Investment Company, the following entry was made on the holding company books at June 30, 1916:

Investment in A Co. . . .	$100,000.00	
Surplus		$100,000.00

3. The inventories of the A Company include $100,000.00 of stock purchased from B Company in 1916. The cost of these goods to the B Company was $90,000.00.

4. Part of the plant of the C Company was built by the A Company in September and October, 1915, at a cost of $80,000.00. For this work the A Company charged the C Company $95,000.00.

5. In February 1916, part of the equipment of the B Company, which was carried on the books at the cost price of $50,000.00, was destroyed by fire. The only entry that has been made in respect to this Loss was to credit the Plant Account with the salvage of $5,000.00.

PROBLEM NO. 143.

(Massachusetts C. P. A. Examination)

Prepare a consolidated balance sheet of A Company, a manufacturing corporation which also controls, thru stock ownership, B Company.

The following are trial balances of the books, December 31, 1915:

A COMPANY	Debit	Credit
Real Estate	$200,000.00	
Machinery and Equipment	100,000.00	
Accounts Receivable	50,000.00	
Cash	10,000.00	
Inventories, Dec. 31, 1915	75,000.00	
Shares - B. Company (300 shares, par $100.00)	35,000.00	
B Company Current Account	5,000.00	
Capital		$400,000.00
Accounts Payable		30,000.00
Bills Payable		20,000.00
Surplus		19,000.00
Profit and Loss for 1915		6,000.00
	$475,000.00	$475,000.00

B COMPANY	Debit	Credit
Accounts Receivable	$ 45,000.00	
Stock on Hand, Dec. 31, 1915 . . .	25,000.00	
Cash	5,000.00	
Treasury Stock (100 shares, cost) . .	11,000.00	
Furniture and Fixtures	3,500.00	
Surplus		$ 20,000.00
A Company Current Account		4,500.00
Accounts Payable		10,000.00
A Company Drafts Accepted		5,000.00
Capital Stock (500 shares, par $100.00).		50,000.00
	$ 89,500.00	$ 89,500.00

The stock on hand of B. Company was manufactured by A Company and was billed to B. Company at 10% in excess of cost, at which value it is taken in the inventory. The difference in the inter company current accounts consists of a note issued by B. Company in settlement of a claim for damages but not entered on the books and was paid by A Company. The directors of B. Company declared a dividend of 1-1/2% on December 15, 1915, payable January 15, 1916, which has not been entered on the books.

([illegible] C. P. A. Examination)

[illegible] consolidated balance sheet of A Company, a [illegible] [illegible] [illegible] [illegible] [illegible] [illegible], [illegible] [illegible] [illegible] [illegible].

The following are trial balances of the books, December 31, 19[illegible]

A COMPANY

	Debit	Credit
Real Estate	$[illegible],000.00	
Machinery and Equipment	[illegible]	
Accounts Receivable	[illegible]	
Cash	[illegible]	
Inventory, Dec 31, 19[illegible] . . .	[illegible],000.00	
Stock - B Company (1,000 shares, par 100.00)	[illegible],000.00	
B Company Current Account	[illegible],000.00	
Capital		$200,000.00
Accounts Payable		[illegible]
Bills Payable		25,000.00
Surplus		10,000.00
Profit and Loss for 19[illegible] . . .		5,000.00
	$[illegible]	$[illegible]

B COMPANY

	Debit	Credit
Accounts Receivable	$ [illegible],000.00	
Stock on Hand, Dec. 31, 19[illegible] . . .	[illegible]	
Cash	[illegible]	
Treasury Stock (100 shares, cost) . .	[illegible],000.00	
Furniture and Fixtures	[illegible],500.00	
Capital		$ [illegible],000.00
A Company Current Account . . .		[illegible]
Accounts Payable		10,[illegible]
A Company [illegible] [illegible] . . .		[illegible]
Surplus [illegible] [illegible] [illegible] . . .		[illegible]
	$ [illegible]	$ [illegible]

The [illegible] [illegible] of B Company was [illegible] [illegible] by A Company and was [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] in excess of cost, at which value it is [illegible] [illegible] [illegible] [illegible]. The difference in the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible], Company [illegible] [illegible] [illegible] [illegible] for damages but not entered on the books [illegible] [illegible] [illegible] [illegible] A [illegible]. [illegible] [illegible] of B Company declared a dividend of [illegible] on December 15, 19[illegible], [illegible] [illegible] [illegible], [illegible], [illegible] [illegible] [illegible] entered on the books.

PROBLEM NO. 144.

(From Penn. C.P.A. Examination)

A is an operating company and B is a holding company. The Following statement are taken from the books of the respective companies, viz.:

A COMPANY

Assets

Cash on Hand		$ 35,000.00
Book Accounts Receivable		25,000.00
Stock Inventory	~~81,000.00~~	81,000.00
Prepaid Accounts		7,000.00
Sinking Fund Trustee		15,000.00
Premiums on Sinking Funds Bonds		700.00
B Company Advances		45,000.00
Investments, B Company Stock		25,000.00
Other Investments		5,000.00
Plant, Franchises, Etc.		1,340,000.00
		$1,578,700.00

LIABILITIES

Book Accounts Payable	$ 12,000.00	
Wages	8,000.00	
Bills Payable	50,000.00	
Accrued Accounts	12,000.00	$ 82,000.00
Reserve Accounts		65,000.00
Bonds		750,000.00
Capital Stock		500,000.00
Surplus		181,700.00
		$1,578,700.00

B COMPANY

Assets

Cash on Hand	$ 14,000.00	
Accounts Receivable	6,000.00	$ 20,000.00
Investments:		
A Company's stock	$500,000.00	
Other Investments	500,000.00	1,000,000.00
Plant Franchises, etc.		1,250,000.00
Deficit		22,000.00
		$2,292,000.00

company and B is a holding company. The [illegible] taken from the books of the respective [illegible]

A COMPANY

Assets

Stock Inventory . . . 21,000.00

Prepaid Accounts
Sinking Fund Trustee
Other Investments
[illegible], Tac.

B COMPANY

Assets

Cash on Hand	$ 14,000.00	
Accounts Receivable	[illegible]	20,000.00

LIABILITIES

Books Accounts Receivable . .	$ 7,000.00	
Bills Payable	130,000.00	
Accrued Accounts	10,000.00	$ 147,000.00
Due A Company		45,000.00
Bonds Issued		1,000,000.00
Capital Stock Issued		1,100,000.00
		$2,292,000.00

Prepare a consolidated balance sheet

164

(N.Y. C.P.A. Examination)

Company C was incorporated in May, 1910, to acquire the stock of companies A and B. Company C's capital stock is divided into preferred, $2,500,000: common, $1,500.000;all the stock is outstanding and fully paid; it has been issued (a) for stock to the stockholders of companies A and B, (b) $20,000 of perferred for organization expenses (c) for cash. The stockholders of A and B received preferred stock for the intrinsic, undepreciated book value of the assets, as reflected by the following balance sheets of their companies at June 30, 1910, and $300,000 of common stock divisible equally to companies A and B.

	A	B		A	B
Plant land,	$ 90,000	$ 195,000	Capital stock outstanding:		
Building and equipment,	$ 254,000	318,000	Common,	$ 700,000	$1,000,000
Machinery and transportation equipments,	21,000	17,000	Preferred,	100,000	
Investment in land,		150,000	6% bonds, 1915 J & J, and interest accrued,		92,700
Investment in bonds, Co. B,	60,000		Accounts payable,	59,800	41,656
Investment in stocks,	200,000		Loans payable	65,800	35,000
Goods in process,	45,000	49,341	Audited vouchers unpaid,	18,320	13,400
Finished goods,	69,000	76,340	Demand notes payable,		5,000
Materials and supplies,	58,000	51,300	Reserve for depreciation	24,900	30,000
Cash,	17,420	19,175			
Accounts receivable,	51,000	92,800	Reserve for doubtful accounts,	5,000	2,000
Bemand noted, Co. B,	5,000		Reserve for contingencies,	16,000	
Accrued interest,	1,800		Surplus,	111,000	
	$1,100,820	$1,245,756		$1,100,820	$1,245,756

Between July 1 and July 31, 1910, the following transactions occured: organization expenses paid in cash by Company C, $5,000; intercompany advances by C: to A $60,000, to B $60,000; Company A reduced its accounts payable by $25,000, its loans payable by $30,000, and its audited vouchers by $15,000; Company B reduced its accounts payable by $29,500, liquidated its audited vouchers unpaid and its interest due under the bonds.

The manufacturing operations of the period show: Company A - labor, $10,000; overhead expense, $8,000; materials consumed, $9,886;inventory of goods in process, $46,300, of finished goods, $50,740; selling expenses paid $1,600; administration expenses, $2,500; sales, $72,500; collections of open accounts, $86,400. Company B - labor, $3,600; overhead, $2,350; materials, $5,210; inventory of goods in process, $40,500, of finished goods $46,380; sales, $98,000; collection of open accounts, $109,150; administration expenses, $3,000.75; selling expenses, $1,040.

No materials were purchased during the period and the current expenses were paid as soon as the invoices wese audited. Company A declared a dividend of $100,000 and Company B a dividend of $25,000.

Prepare the consolidated balance sheet of companies A and B and C, at July 31, 1910, to be submitted to the directors of Company C, and so arranged as to show them the exact detail of the properties that they control.

Ref. 34-4.

164

(N.Y. C.P.A. Examination)

The A. B. C. Company, engaged in manufacturing heavy machinery, acquired the entire capital stock of the D. E. F. Company engaged in the foundry business and the X. Y. Z. Company operating a machine shop. The entire output of the X. Y. Z. Company is shipped to the latter company and billed at 10% increase over cost. All castings of the D. E. F. Company are likewise shipped and billed on the same basis to the A. B. C. Company. Neither the D. E. F. nor the X. Y. Z. Company has any outside customers.

The balance sheets of the three companies at December 31,1919, were as follows:

BALANCE SHEET - A. B. C. COMPANY

ASSETS

Cash,..	$ 115,000
Accounts receivable,........................	265,000
Notes receivable,...........................	150,000
Inventories:	
Castings,.................................	75,000
Raw material,.............................	90,000
Material in process,......................	100,000
Finished parts,...........................	85,000
Finished product,.........................	60,000
Capital stock - D. E. F. Company,..........	100,000
Capital stock - X. Y. Z. Company,..........	150,000
Total,......................	$1,190,000

LIABILITIES

Capital stock,..............................	750,000
Notes payable,..............................	10,000
Accounts payable,...........................	200,000
Surplus,....................................	230,000
Total,......................	$1,190,000

BALANCE SHEET - D. E. F. COMPANY

ASSETS

Cash,..	7,500
Accounts receivable,........................	75,000
Inventories:	
Raw material,.............................	40,000
Material in process,......................	28,000
Finished product,.........................	25,000
Total,......................	$ 175,500

LIABILITIES

Capital stock (1,000 shares of $100 par value each)	$100,000
Notes payable,	5,000
Accounts payable,	7,500
Accrued taxes,	8,500
Surplus,	54,500
Total,	$175,500

BALANCE SHEET - X. Y. Z. COMPANY

ASSETS

Cash,	$ 18,000
Accounts receivalbe,	65,000
Inventories:	
Raw material,	30,000
Material in prooess,	45,000
Finished product,	72,000
Total	$230,000

LIABILITIES

Capital stock (1,000 shares of $100 par value each).	$100,000
Notes payable,	3,000
Accounts payable,	67,000
Surplus,	60,000
Total,	$230,000

All of the castings in the stock of the A. B. C. Company were obtained from the D. E. F. Company and 50% of the inventory of finished parts was obtained from the X. Y. Z. Company. Of the finished product and material in process, 25% represents castings and finished parts secured from the two subsidiary companies, divided into 10% castings and 15% finished parts. All raw material used by these companies was purchased from outsiders. Settlements among the companies are made by check.

Prepare a consolidated balance sheet of the three companies and also a statement showing the amount of the invested capital. Assume all necessary information not included in above.

Ref. 49-5

[illegible]

[illegible]	[illegible]
Accounts receivable	[illegible]
Inventories:	
Raw material	[illegible]
Material in process	[illegible]
Finished product	[illegible]
Totals	[illegible]

[illegible]

Capital stock (1,000 shares of $100 par value each)	[illegible]
Notes payable	[illegible]
Accounts payable	[illegible]
[illegible]	[illegible]
Totals	[illegible]

All of the purchases in the stock of the A. B. C. Company were obtained from the L. M. N. Company and 50% of the inventory of finished parts was obtained from the X. Y. Z. Company. Of the finished product and material in process, [illegible] and finished parts obtained from the two other companies [illegible] divided into 10% [illegible] and 15% finished parts. [illegible] material used by these companies [illegible]. Settlements among the companies are made by check.

Prepare a consolidated balance sheet of the three companies and also a statement showing the amount of the [illegible]. Assume all necessary information not included is given.

Ref. 40-5

PROBLEM NO. 147.

(N.Y. C.P.A. Examination)

A. B., a commission merchant, doing business on 5% basis, hands you the following abstract of his ledger, showing his transactions for the year; furnish A. B.'s capital account, showing his original investment, a balance sheet and a detailed cash account.

Sales,..................................	$22,500.00	$30,000.00
Freight,................................	1,050.00	700.00
Claims and allowances on settled accounts only,..............................	300.00	750.00
Expense,................................	450.00	
Customers' accounts,....................	30,000.00	22,500.00
Creditors' accounts,....................	18,975.00	19,925.00
Cash,...................................	29,500.00	20,475.00
Discounts lost,.........................	200.00	

Ref. 28-3.

PROBLEM NO. 148.

(N.Y. C.P.A. Examination)

A & B, commission merchants, suspect their cashier of embezzlement. From the following data determine whether or not the their suspicions are well founded, and produce a balance sheet and profit and loss statement to prove or disprove the suspicion:

Sales,..		$42,400.00
Cash receipts, customers,................	$42,000.00	
Freight,................................	4,240.00	2,480.00
Duty,...................................	2,120.00	1,240.00
Dock charges,...........................	212.00	124.00
Custom house charges,...................	90.00	45.00
Interest (account sales at 6%),..........		248.00
Commission (5% on sales),...............		1,240.00
Office expense,.........................	2,000.00	
Documentary advances,...................	20,000.00	12,000.00
Acceptances against shipments,..........	12,000.00	20,000.00

Analysis of account sales ledger debits: duty, $875; freight $1,560; dock charges, $70; custom house charges, $40.

Ref. 37.2.

(N.Y. C.P.A. Examination)

A. B., a commission merchant, doing business on [illegible] makes the the following abstract of his ledger, showing [illegible] for the year; furnish A. B.'s capital account, [illegible] his original investment, a balance sheet and a [illegible]

Sales	[illegible]	[illegible]	[illegible]
Freight	[illegible]	[illegible]	[illegible]
Claims and allowances on settled accounts only	[illegible]	[illegible]	[illegible]
Storage	[illegible]	[illegible]	[illegible]
Consignors' accounts	[illegible]	[illegible]	[illegible]
Creditors' accounts	[illegible]	[illegible]	[illegible]
Cash	[illegible]	[illegible]	[illegible]
Discounts lost	[illegible]	[illegible]	[illegible]

Ref. 28-[illegible].

A & B, commission merchants, suspect their position of [illegible] bezzlement. From the following data determine whether or not their suspicions are well founded, and prepare a balance sheet and profit and loss statement to prove or disprove the [illegible]

Sales	[illegible]	[illegible]	[illegible]
Cash receipts, customers	[illegible]	[illegible]	[illegible]
Freight	[illegible]	[illegible]	[illegible]
Duty	[illegible]	[illegible]	[illegible]
Rent [illegible]	[illegible]	[illegible]	[illegible]
Custom house charges	[illegible]	[illegible]	[illegible]
Interest (account sales at 6%)	[illegible]	[illegible]	[illegible]
Commission (5% on sales)	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Inventory [illegible]	[illegible]	[illegible]	[illegible]
Accounts [illegible]	[illegible]	[illegible]	[illegible]

Analysis of account sales ledger debits: [illegible] $1,500; dock charges [illegible]

Ref. 37.2.

PROBLEM NO. 149.

(N.Y. C.P.A. Examination)

X of New York is the purchasing agent of Y. a South American trader, who pays X a commission of 5% on all transactions executed. X executes his orders, draws a draft on Y for the amount involved and discounts the draft with a New York bank, which pays the debts created by the purchase. The bank forwards the draft of X for collection.

Y orders through X 100 barrels of flour, purchased of A, B & C, @ $10.40 per barrel; freight paid $92, cartage paid $38, insurance etc. $18. He orders also through X miscellaneous goods purchased of D, E & F. amounting to $7,500; freight paid $72, cartage paid $32, insurance $20. X draws a 60 day draft in favor of the bank for the amount due, which was discounted at 1%.

Create ledger accounts to express correctly the above transaction. The insurance is covered under a floating policy. Furnish a trial balance of the ledger.

Ref. 46-6.

PROBLEM NO. 150.

(N.Y. C.P.A. Examination)

By the terms of an agreement entered into between an export agent and a manufacturing company, the agent was to reimburse the company for the value of any of the company's product destroyed through causes over which the company had no control. On December 1, 1911, the storehouse containing all the company's product was mysteriously destroyed and in accordance with the contract the company submitted its estimate of the a mount due by the agent as $17,659.05. The agent wished to verify this and obtained the following data from the company's books:

Commissions, debit balances, $2,925.03; insurance $588.69; in-interest, debit balance, $939; interim dividend $4,794; inventory, January 1, 1911, $4,705.86; labor productive $58,498.74; legal expense $ 52.50; net profits, December 1, 1911, $13,358.73: purchases $166,247.46; repairs $48; sales $245;064.12; sundry factory expenses $9,605.76; surplus, December 1, 1911, $8,564.73; telephone $1,248.18.

Prepare a statement showing the value of the company's product on hand, December 1, 1911.

Ref. 51-6.

PROBLEM NO. 149.

(N.Y. C.P.A. Examination)

X of New York is the purchasing agent of Y, a South American [illegible], who pays X a commission of 5% on all transactions [illegible]. X, [illegible] the orders, draws a draft on Y for the amount [illegible] and discounts the draft with a New York bank, which pays the liability created by the purchase. The bank forwards the draft to Y for collection.

Y orders through X 100 barrels of flour, purchased of A, B & C, @ $10.40 per barrel; freight paid $82, cartage paid $[illegible], insurance etc. $18. He orders also through X miscellaneous goods purchased of D, E & F, amounting to $7,500; freight paid $[illegible], cartage paid $52, insurance $20. X draws a 60 day draft in favor of the bank for the amount due, which was discounted at 1%.

Create ledger accounts to express correctly the given transaction. The insurance is covered under a floating policy. Furnish a trial balance of the ledger.

[illegible]

PROBLEM NO. 150.

(N.Y. C.P.A. Examination)

By the terms of an agreement entered into between an agent and a manufacturing company, the agent was to reimburse the company for the value of any of the company's product destroyed through causes over which the company had no control. On [illegible] 1, 1911, the storehouse containing all the company's product was mysteriously destroyed, and in accordance with the contract the company submitted its estimate of the amount due by the agent as $17,650.05. The agent wished to verify this and obtained the following data from the company's books:

[illegible], [illegible] balances, $[illegible]; [illegible] interest, debit balance, $[illegible]; interim dividend $4,704; inventory, January 1, 1911, $4,708.85; labor productive $58,[illegible]; [illegible] $[illegible]; net profits, January 1, 1911, $[illegible]; purchases $156,247.46; repairs $48; sales $2[illegible],064.12; [illegible] expenses $[illegible]; surplus, January 1, 1911, $[illegible]; [illegible] $[illegible].

Prepare a statement showing the value of the company's product on hand, [illegible] 1, 1911.

[illegible]

PROBLEM NO. 151.

(N.Y. C.P.A. Examination)

Albert River, real estate agent, submits his accounts, which are fully adjusted and ready to close, for examination and audit.

TRIAL BALANCE, DECEMBER 31, 1916

Cash,	$23,328	
Tenants,	1,856	
Accrued rents,		$ 1,856.00
Owners for property sales,		5,356.00
Clients for rents,		13,818.00
Trade credits,		31,220.00
Fees,		250.00
Commissions,		6,237.84
Discounts,		360.00
Expenses,	2,000	
Drawings,	4,000	
Office furniture,	500	
Capital,		3,294.16
Investments in unimproved real estate (personal),	30,708	
	$62,392	$62,392.00

Furnish a statement showing River's financial relations and status, with brief comments as the accountant.

Ref. 44-1.

(N.Y. C.P.A. Examination)

James Brown is a real estate broker and agent who, among other things, manages properties in consideration of commissions ranging from 3% to 5% on rent collections. For the last two years his books have been kept in haphazard fashion and in violation of the Law of Agency. They are incomplete as to footings and postings; no trial balance of the general ledger has been obtained and no recolciliation of bank balances has been established during the above mentioned period. The Tenants' Rent Book is a species of "Tickler" in which the current rent charges are entered in pencil and inked in when paid; the names of the tenants of properties under lease are also entered in pencil and erased when the tenants move, the new names being entered in the places thus left vacant.

Having accidentually discovered irregularities in the tenant's book, James Brown has discharged his bookkeeper-cashier and engaged an accountant to conduct an examination of his books, records and accounts, to discover the extent of the shortage, which he fears is considerable, and to install a new system of accounts.

After spending considerable time in an attempt to place the books on an accounting basis, the accountant finally obtains the following trial balance of the ledger, as of September 30, 1919, installs a new system which will permit his client to fulfill his accounting duty as an agent and renders a preliminary report accompanied by a statement showing clearly the financial status of the relations of James Brown to his principals:

TRIAL BALANCE

Cash,...............	$ 350.20	James Brown. capital,.	$ 4,360.40
Petty cash,.........	100.00	Commissions,..........	22,510.00
The Augusta Terrace)	215.00	Phoenix Ins. Company,.	470.00
The Victoria Court,)(a)	805.00	London Ins..Company,..	450.10
The St Quentin Court) Court,...........)	650.00	The Frederic Apartment,............)	2,385.30
The Audubon Court,.)	270.00	The Venetian Court,..)(f)	2,500.00
The Even'g dispatch)	75.00	The Franklin Castle,.)	3,231.00
The Morning News,..)	35.00	St Martin Hall,......)	2,850.70
The Union Wall (b) Paper,Company,...)	111.20	Tenants,.............	1,550.00
The Janitors' Supplies Company,)	45.25		
Insurance account (c)	920.10		
Jas. Brown draw'gs, (d)......	16,930.00		
Cash shortage (e),..	380.00		
Salaries,..........	12,140.00		
Office expense,.....	3,130.00		
Furniture and equipment,.............	4,150.75		
	$40,307.50		$40,307.50

Notations by the accountant:

(a) Remittances on account of collection of October rents,paid in advance on signing lease, not as yet credited to principals. Settlements to be made on the 29th of every month.

(b) Balances represent payments from March to June 1919, for advertising, decorating and supplies, for the account of managed properties. Paid bills cannot be found; no detail available; itemized receipted bills asked for by letter; no answer at September 30, 1919.

(c) Premiums on fire insurance placed by agent for account of sundry clients not principals. Premiums will be paid to agent if risk is accepted and he will deduct commissions of from 5 % to 15% from settlement with companies.

(d) Probably contains charges which might properly be capitalized under caption Furniture and Fixtures if positive information were available.

(e) Entries made in cash book by accountant, for rent collections appearing in monthly statements to principals but not appearing in cash book or in duplicate of bank deposits obtained from banks.

(f) According to the terms of his employment the agent must remit on the fifth day in every month.

Prepare the preliminary report and the statement submitted by the account to James Brown, as at September 30, 1919.

Ref. 50-2.

PROBLEM NO. 153

(N.Y. C.P.A. Examination)

John Roe dies, bequeathing his entire property, after payment of all debts and funeral expenses, to the following beneficiaries, viz, 1/5 to John Roe jr., 1/5 to George Roe, 1/5 to William Roe, 3/10 to Mary Roe and 1/10 to Frank Doe.

The inventory filed by his executors was as follows: stocks and bonds $100,000, bonds and mortgages $150,000, furniture and wearing apparel $1,500, cash in bank, $1,000.

There are two executors and their transactions are as follows: Cash receipts: stocks and bonds sold $83,525.50, bonds and mortgages paid in $116,422.73, furniture and wearing apparel sold $1,247.28, dividends collected on stocks and bonds $45,422.50, interest collected on bonds and mortgages $62,527.87, interest received on deposits in bank $1,083.48, real estate sold $25,000, rents collected $18,000.

Cash disbursements: funeral expenses $750, expenses of probating will $5,0000, general legal services $10,000, rent of safe in safe deposit company $450, publishing citations $35.75, care of cemetery lot $400, repairs to real estate appurtenances $5,724.68, premium on executors' bond $1,250, stationery, postage, etc. $125.38, accountant's services $2,000, debts of deceased $12,472.41, taxes $20,672.48, assessments for improvements to real estate $471.83, insurance $250, John Roe jr., account of legacy $55,000, George Roe, account of legacy $62,500, William Roe, account of legacy $55,500, Mary Roe, account of legacy $77,500, Frank Doe, account of legacy $24,000.

The inventory at the date on which they wish to account is as follows: stocks and bonds $25,000, bonds and mortgages $32,000, cash in bank $20,126.83.

Required, to make up the summary statement of the executors' accounts, separating principal and income, and showing the balance due each legatee and the amount of the executors' commissions.

Ref. 5-4

[illegible]

[illegible]

[illegible]

John Roe dies, bequeathing his entire property, after payment of all debts and funeral expenses, to the following beneficiaries, viz, 1/5 to John Roe Jr., 1/5 to George Roe, 1/5 to William Roe, 3/10 to Mary Roe and 1/10 to Frank Doe.

The inventory filed by his executors was as follows: stocks and bonds $[illegible]0, bonds and mortgages $[illegible], furniture and wearing apparel $[illegible], cash in bank, $1,050.

There are two executors and their transactions are as follows: Cash receipts: stocks and bonds sold $[illegible].50, bonds and mortgages paid in $115,4[illegible].75, furniture and wearing apparel sold $1,[illegible]7.38, dividends collected on stocks and bonds $35,4[illegible].50, interest collected on bonds and mortgages $[illegible],557.77, interest received on deposits in bank $1,035.48, real estate sold $25,000, rents collected $[illegible]

Cash disbursements: funeral expenses $750, expenses of probating will $3,0000, general legal services $[illegible],000, rent of safe in safe deposit company $450, [illegible] $[illegible], care of cemetery lot $440, repairs to real estate apartments $[illegible], [illegible] 155.38, accountant's services $[illegible],000, debts of deceased 12,472.41, taxes $2[illegible].60, assessments for improvements to real estate $471.38, insurance $250, John Roe Jr., account of legacy $55,000, George Roe, account of legacy $[illegible], William Roe, account of legacy $[illegible], Mary Roe, account of legacy $[illegible],000, Frank Doe, account of legacy $[illegible]4,000.

The inventory at the date on which they filed to account is as follows: stocks and bonds $[illegible]5,000, bonds and mortgages $[illegible], cash in bank $[illegible],126.65.

Required, to make up the summary statement of the executors' accounts, separating principal and income, and showing the balance due each legatee and the amount of the executors' commissions.

Sol. 5-4

PROBLEM NO. 154

(N.Y. C.P.A. Examination)

A trust estate, the funds remaining for division amounting to $225,000, is to be divided as of January 1, 1900. The beneficiaries were to share in the whole estate as follows: A two fifths, B one tenth, C two fifths and D one tenth. A was paid December 31, 1898, $10,000 and January 30, 1899, $5,000. C was paid December 31, 1897, $15,000. B and D were each paid January 30, 1898, $10,000. Prepare in correct form a statement showing the division of the remaining funds calculating interest at 5%.

Ref. 7-3

PROBLEM NO. 155

(N.Y. C.P.A. Examination)

The will of William Christy provided for a division of his estate into three equal parts, of which one part was to be paid in cash to John Christy and one part to James Christy, and one part was to be held in trust for the benefit of Thomas Christy, who was to receive the income therefrom. January 1, 1901, the executors had $100,000 cash in bank, representing the amount realized from the bulk of the testator's estate.

The executors paid to John and James Christy $30,000 each, and lent $30,000 on a real estate mortgage at 6% interest. Prepare necessary ledger accounts for the books of the executors.

Ref. 10-3

PROBLEM NO. 154

(Ill. C.P.A. Examination)

[illegible] divided as of January 1, 1920. The beneficiar- [illegible] the whole estate as follows: A one-fifth, [illegible] fifths and D one-tenth. A was paid on account [illegible] 1920, $5,000. C was paid [illegible] B and D were each paid January 20, [illegible] in correct form a statement showing the [illegible] Funds calculating interest at [illegible]

PROBLEM NO. 155

[illegible]

[illegible] for a [illegible] [illegible] one half was to be paid [illegible] and one half to [illegible], and one [illegible] be held in trust for the benefit of [illegible] [illegible] executors [illegible] in [illegible] [illegible] the testator's estate.

The executors [illegible] to John and James [illegible] real estate [illegible] accounts for the [illegible]

[illegible]

P PROBLEM NO. 156

(N.Y. C.P.A. Examination)

By the will of Henry Palmer, deceased, specific bequests were made to three of his children, viz: William $100,000, Mary $75,000, and Emma $75,000. A sum of $20,000 was bequeathed to charitable institutions and his eldest son, Henry, was named as residuary legatee. In accordance with the terms of the will all real estate was sold, the amount realized being $75,000. The inventory filed by John Jacobs, executor, was as follows: bonds and stocks $87,500, bonds secured by mortgages $135,000, furniture and other household effects $2,750, cash in bank $1,237.50.

On an accounting the executor's books showed disbursements as follows: undertaker's bill and other funeral expenses $675; probate of will, legal expenses, publishing citations, etc. $14,278.75; debts of testator $10,875.25; stationery, postage, etc. $118.75; improvements on real estate $750.50; repairs on real estate $4,860.75; taxes and insurance $17,505; care of cemetery lot $350; services of accountant $1,800; cost of executor's bond $1,400. Receipts were as follows: sale of bonds and stocks $86,327; bonds and mortgages paid $98,915; sale of furniture etc. $2,285.75; interest on bonds and mortgages $61,270.50; interest on deposits with trust companies $1,275.45; rents $17,250; dividends on bonds and stocks $37,918.50.

The inventory at the date of accounting showed bonds and stocks $18,755, bonds and mortgages $30,375, and cash in accordance with the foregoing transactions, including satisfaction of the specific bequests of the will.

Prepare, with due distinction as to principal and income, a summary statement of the executor's account, showing the amount of the executor's commission and the amount due the residuary legatee.

Ref. 13-4

[illegible] Palmer, deceased, specific bequests [illegible] of his children, viz: William $[illegible],000, [illegible] and Emma $[illegible],000. A sum of $[illegible],000 was bequeathed [illegible] institutions and his eldest son, Henry, was named [illegible] legatee. In accordance with the terms of the will [illegible] estate was sold, the amount realized being $[illegible],000. The inventory filed by John Jacobs, executor, [illegible] bonds and stocks $[illegible]7,500, bonds secured by mortgages $[illegible], furniture and other household effects $[illegible],750, cash in bank $[illegible].60.

[illegible] executor's books showed disbursements [illegible] testator's bill and other funeral expenses $[illegible]; probate of will, legal expenses, publishing citations, etc. $14,[illegible]8.75; debts of testator $[illegible]5.[illegible]; stationery, postage, etc. $[illegible].75; improvements on real estate $[illegible]50.00; [illegible] real estate $4,[illegible]60.75; taxes and insurance $[illegible],50[illegible]; care of cemetery lot $[illegible]0; services of accountant $[illegible]; cost of executor's bond $[illegible],4[illegible]0. Receipts were as follows: sale of bonds and stocks $[illegible]6,3[illegible]7; bonds and mortgages paid $[illegible]; sale of furniture etc. $[illegible],2[illegible]5.75; interest on bonds and mortgages $[illegible]1,2[illegible]0.50; interest on deposits with trust companies $[illegible]; rents $[illegible]; dividends on bonds and stocks $[illegible].

The inventory at the close of accounting shows bonds and stocks $[illegible],7[illegible], bonds and mortgages $[illegible], and cash in accordance with the foregoing transactions, including satisfaction of the specific bequests of the will.

Prepare, with due distinction as to principal and income, a summary statement of the executor's account, showing the amount of the executor's commission and the amount due the residuary legatee.

[illegible]

PROBLEM NO. 157

(N.Y. C.P.A. Examination)

John Doe died Jan. 15, 1901, leaving a small estate, and in his will made Richard Roe his executor. This will provided that a legacy of $5,000 should be paid to Mary Doe, sister to the testator, and that the residuary estate should go to testator's wife and two daughters, share and share alike.

The estate consisted of the following:

Cash in the Dime Savings Bank,........................	$348.50
One month's salary (due the testator from his employer),	250.00
10 Union Pacific Railroad Company's first mortgage 5% gold bonds of $1,000 each,...........................	10,000.00
One first income bond, Central Railroad of Georgia,...	1,000.00
Demand note of John Smith,...........................	100.00

At his death, the testator owed two months' rent $50, Acker, Merrill & Condit, household supplies $81.50.

The appraiser appointed by the surrogate inventoried all securities and accounts due the estate at their face value.

The executor received $348.50 from the Dime Savings Bank, with $14.25 interest. He sold the Union Pacific bonds at 102 and two months' interest, the Central of Georgia income bond for $875 flat, and paid M.J. Senior, undertaker, $541 for funeral expenses, Arnold, Constable & Co. $185 for mourning apparel of widow and children. He also paid for legal and other expenses incidental to the probating of the will, $125. John Smith was bankrupt, and his note proved to be worthless. The executor deducted his commission and distributed the funds of the estate according to the terms of the will.

From the above statement of facts prepare (a) the executor's inventory of the estate, (b) the executor's summary statement and schedules for presentation to the surrogate's court in final accounting, (c) a statement of the amount of commissions to which the executor was entitled, (d) a statement of the amount paid to each beneficiary.

Ref. 14-3

(N.Y. C.P.A. Examination)

John Doe died Jan. 15, 1901, leaving a small estate, and in his will named Richard Roe his executor. This will provided that a legacy of [illegible] should be paid to Mary Doe, a sister of the testator, and that the residuary estate should go to the testator's wife and the [illegible] share and share alike.

The estate consisted of the following:

Cash in the Dime Savings Bank, ...	$[illegible]
One month's salary (due the testator from his employer)	[illegible]
10 [illegible] Railway Company's first mortgage [illegible] bonds of $1,000 each, ...	[illegible]
[illegible] first [illegible] of Georgia, ...	[illegible]
[illegible] note of John Smith, ...	[illegible]

[illegible]

[illegible]

The executor [illegible] $[illegible] and paid L.T. Senior, undertaker, $[illegible] for funeral expenses, Arnold, Constable & Co. $[illegible] for mourning apparel of widow and children. He also paid for legal and other expenses incidental to the probating of the will, $[illegible]. John Smith was bankrupt, and his note proved to be worthless. The executor deducted his commission and distributed the funds of the estate according to the terms of the will.

From the above statement of facts prepare (a) the executor's inventory of the estate, (b) the executor's summary statement and schedules for presentation to the surrogate's court in final accounting, (c) a statement of the amount of commission to which the executor was entitled, (d) a statement of the amount paid to each beneficiary.

Ref. 14-[illegible]

PROBLEM NO. 158

(N.Y. C.P.A. Examination)

A.B. died January 17, 1902, leaving a will appointing three executors. The testator's personal estate consisted of stocks, bonds etc., appraised at $500,000, rents accrued but unpaid $750 and dividends declared but unpaid $3,000. During the administration sundry stocks, bonds, etc. were sold showing an increase over appraised value of $10,000. Real estate was sold for $60,000 and the rents, dividends and interest accruing subsequent to date of death amounted to $76,000. The executors during the administration paid for probate of will and issue of letters $150, funeral expenses $750, mourning $500, monument $1,500, sundry debts and claims $25,000, clerk hire $1,200, counsel fees $2,500, personal tax on estate $500, advertising and expenses of selling real estate $900, fire insurance $250, taxes accrued at death $300, subsequent taxes $600, assessments $400, repairs etc. $1,200, special legacy $5,000; also advances to legatees from capital $80,000, from income $65,000 and trusts set up $300,000.

It is the purpose of the executors to render an account of their proceedings at this present date. They have invested in bonds and mortgages $50,000; sundry stocks, bonds etc. on hand at testator's death and still unsold are appraised $100,000 and there is cash on hand $14,000.

From the above statement prepare a summary of account, distinguishing as to principal and income and showing balance on hand for distribution and the amount of commission due the executors.

Ref. 17-2

PROBLEM NO. 155

(C.P.A. [illegible])

A.L. [illegible] leaving a will [illegible] [illegible] and dividends declared but unpaid $5,000. During the administration sundry stocks, bonds, etc. were sold showing an increase over appraised value of $10,000. Real estate was sold for $[illegible] and the rents, dividends and interest accruing [illegible]quent to date of death amounted to $76,000. The executors during the administration paid for probate of will and issue of letters $150, funeral expenses $750, mourning $500, monument $1,500, sundry debts and claims $25,000, clerk hire $[illegible], counsel fees $2,500, personal tax on estate $500, advertising and expenses of selling real estate $500, fire insurance $[illegible], taxes accrued at death $200, subsequent taxes $600, assessments $400, repairs etc. $1,200, special legacy $5,000; also advanced to legatees from capital $50,000, from income $55,000 and trusts set up $300,000.

It is the purpose of the executors to render an account of their proceedings [illegible]. They have invested in bonds and mortgages $50,000; sundry stocks, bonds etc. on hand at testator's death and still unsold are appraised $[illegible] and there is cash on hand $[illegible].

From the above statement prepare a summary of account, distinguishing as to principal and income and showing balances on hand for distribution [illegible].

Ref. 17-2

PROBLEM NO. 159

(N.Y. C.P.A. Examination)

Fredericka Ward dies leaving one daughter, Doris, and two sons, Henry and Arthur, all of age, surviving her. Her will directs that after the discharge of all just claims on her estate there shall be placed in trust for Fredericka Winter, the child of her deceased sister, $50,000, the income of which is to be used for the child's support by the guardian appointed under the trust, and the principal to be paid over to her when she becomes of age. The remainder of the estate is to be divided equally among the testator's three children.

The estate consists of cash in a trust company $12,500, bonds and mortgages on real estate $250,000; registered municipal bonds $90,000, household furniture appraised at $20,130, horses and carriages appraised at $3,000, clothing appraised at $2,200, and jewelry appraised at $7,400.

One of the aforesaid mortgages, $50,000 @ 5%, is in arrears of interest for one year, and foreclosure proceedings are commenced by the executor with the result that on an immediate settlement the estate realizes the principal and the interest so in arrears and the trust fund is paid over to the guardian of Fredericka Winter. The February and August semiannual instalments of interest at 5% on the two remaining mortgages of $100,000 each and the January and July interest on the registered 4% bonds are all duly received, and the bonds are forthwith sold for $90,190. The executor then pays $30,000 to Doris, and $10,000 each to Henry and Walter respectively, on account of their interests. Doris takes, as a part of her legacy, household furniture $5,000, clothing $900, and all the jewelry at the appraised valuation. Each of the sons take as part of his legacy one of the remaining bonds and mortgages.

On the sale of the remaining effects the furniture realizes $15,000, the clothing $1,000, and the horses and carriages $3,200. There is also received from the trust company for interest on deposit, $350. The executor expended for probate $150, funeral $600, monument $1,000, tax on personal estate $350, counsel fees $1,500, fire insurance $32 and sundry claims against the estate $7,201. The allowance for executor's fees was fixed by the will at $2,500.

Prepare a summary accounting showing the cash in hands of executor and the amount payable to each of the heirs.

Ref. 19-5

PROBLEM NO. 160

(N.Y. C.P.A. Examination)

A person dies, leaving a will disposing of a personal estate that is valued by the appraisers at $36,470. All but $209 is disposed of by the executor, who realizes $32,131. This together with $2,187 of income received during the administration of the estate, constitutes the full sum to be accounted for.

The testamentary and funeral expenses amount to $512. Debts of the estate to the amount of $1,500 are presented and satisfied. Expenses of $700, including trustee's commissions, are paid and the sum of $30,000 is divided among the heirs. Prepare in customary form a summary of the executor's accounting, and a cash account.

Ref. 25-2

PROBLEM NO. 161

(N.Y. C.P.A. Examination)

The trustees of an estate of $250,000 make the following investments and collect the income:

PURCHASES

Feb. 2. 100 shares D.Q. stock, par $100 each, at $109.50.
Mar. 5. 10 S.P. bonds, maturing 1950, $1,000 each, 6% Jan. 1 and July 1, at $1,010 and accrued interest.
Apr.10. Bond and mortgage for $5,000, maturing 1912; interest 5% Apr. 1 and Oct. 1.
Oct. 6. 10 S.P. bonds, maturing 1950, $1,000 each, 6% Jan. 1 and July 1, at $1,020 and accrued interest.

SALES

Oct. 5. 100 shares of D.Q. stock par $100 each at $110.

The D. Q. stock pays quarterly dividends as follows:

Apr. 1, 1-1/4%; July 1, 1-1/2%; Oct. 1, 2%. These dividends are received respectively on April 3, July 5, and October 3.

The interest on S.P. bonds is received July 2 and the interest on the bond and mortgage for 5 months and 20 days is received on the date due.

On April 10 the trustees borrow from the bank $1,100 on collateral note and repay the loan Oct. 10, with interest at 6% per annum.

Prepare cash account, principal and income accounts of each security, interest, and dividend account and trial balance as of Oct. 10.

Ref. 25-4

PROBLEM NO. 140

([illegible], Continued)

[illegible] leaving a will disposing of a personal [illegible] by the appraisers at $58,[illegible]. All but [illegible] is [illegible] by the executor, who realizes $5[illegible]. This [illegible] with $[illegible] of income received during the administration of the estate, constitutes the full sum to be accounted for.

The [illegible] and funeral expenses amount to [illegible]. [illegible] to the amount of [illegible] are [illegible] [illegible] expenses of $700, including trustee's commissions. [illegible] of $50,000 is divided among the [illegible]. [illegible] form a summary of the executor's accounts.

[illegible]

PROBLEM NO. 141

(N.Y. C.P.A. Examination)

The trustees of an estate of $250,000 make the following [illegible]:

PURCHASES

Jan. 2. 100 shares D.L. stock, par $100 each, at [illegible].

Mar. 5. 10 [illegible] bonds, maturing 19[illegible], $1,000 each, [illegible] Jan. 1 and July 1, at $1,[illegible] and accrued interest.

Apr. 10. [illegible] and mortgage for $[illegible], maturing 19[illegible]; interest [illegible] Apr. 1 and Oct. 1.

Oct. 6. [illegible] bonds, maturing 19[illegible], $[illegible] each, [illegible] Jan. 1 and July 1, at $1,[illegible] and accrued interest.

SALE

Oct. 6. 100 shares of D.L. stock par [illegible].

The D.L. stock pays quarterly [illegible]:

Apr. 1, 1-1/4 ; July 1, [illegible], [illegible]. These dividends are received respectively on April [illegible], July [illegible], and October [illegible].

The interest on [illegible] [illegible] interest on the bond and mortgage [illegible] received on the date due.

On April 10 the trustees [illegible] the bank [illegible] on collateral note and repay the loan [illegible] interest at [illegible].

[illegible] receipts, and [illegible]

[illegible]

(N.Y. C.P.A. Examination)

Philip Jones, a citizen of New York State, died April 1, 1909, leaving a will appointing four executors. The will was probated May 1, 1909, showing the following bequests:

X, 1/3 share, B, 1/4 share, C, 5/12 of the entire estate after payment of funeral expenses, debts, etc., a specific bequest to the A. Hospital consisting of $20,000 and a parcel of improved property valued at $50,000.

The inventory filed by his executors was as follows: 5% mortgage for $40,000, interest payable semi-annually on June 30 and December 31; 500 shares common stock of Industrial Company, par value $100, appraised @ 110; 50 5% first mortgage bonds of A. Railway Company, par value $100, appraised @ 104, interest payable semi-annually on March 1 and September 1; accounts receivable valued at $20,000; cash in banks and on hand, $69,250; household furniture and effects appraised at $5,500.

The executor's transactions were as follows:

CASH RECEIPTS

500 shares of Industrial stock sold @ $115 per share.
45 first mortgage bonds sold July 1 @111 and accrued interest.
Accounts collected $18,500 (balance worthless).
6% dividend on Industrial stock declared May 1, 1909.
Interest on bank balances $1,300, of which $400 accrued prior to testator's death.
Interest on bonds and also on mortgage duly collected.
Rents collected $4,000, of which $1,500 accrued prior to death of testator.
The household furniture and effects were taken by X. at the appraised valuation.

CASH PAYMENTS

Funeral expenses,	$2,000
Expenses of probating will,	335
General legal services,	1,000
Rent of safe deposit vault,	50
Care of cemetery lot, etc.,	500
Premium on executors' bonds,	100
Stationery, postage, etc,	125
Debts of deceased,	12,865
Taxes,	1,025
X. on account of legacy,	12,000
C. on account of legacy,	20,000

The inventory on December 31, 1909, the date on which the executors wish to render an accounting, is as follows:

5% mortgage, $40,000.
Five 5% first mortgage bonds of A. Railway Company.
Interest on X's advances amounts to $350 and on C's advances $575.

Prepare (a) a summary statement separating principal and income, (b) a statement showing amounts due beneficiaries, (c) a statement showing the commission due executors.

Ref. 31-6

164

PROBLEM NO. 163

(N.Y. C.P.A. Examination)

Robert J. Green died on November 14, 1910, leaving four children, Arthur, Jane, Frederick and John. The estate consists of the following property: cash in the bank $100,000; books and household furniture $5,500; jewelry appraised at $3,500; 1,000 Success Mining Co.'s shares at $50 each; 50 New York Central 1920-5's bonds at $1,000 each, interest payable January and July; sundry debts to the estate $7,500; bond and mortgage on James Whitman's real estate $15,000, 5% interest payable annually on December 31; leasehold property that has 10 years to run with an annual rental of $3,500 and average yearly expenses for repairs, taxes etc. $1,500, sublet to Charles Whinney for a fixed rental of $7,000; at termination of lease landlord is to pay us $5,000 for all improvements. (Calculate the value of lease on the basis of the following data: 10 years' annuity of $1 at 4% gives 8.11 years' purchase; present value of $1 due in 10 years @4% is .675564.

On opening the will the following bequests are found: the books and househould furniture are donated to Mrs. S. Jordan, a niece of the testator; to Paul Smith, a friend, $5,000; the balance of the property is to be equally distributed among the children. Four friends are designated by the will to act as executors: Paul Finley, John Smith, A.S. Neff and J.H. Jones.

The funeral expenses amount to $110; expenses of probating the will, executors' bond etc. $175; stationery and printing $75, inheritance tax $1,200.

The executors collect the debtors' accounts, the interest on the New York Central bonds on January 1 and July 1, 1911 and on the bond and mortgage December 31, 1910, sell the jewelry for $3,000, receive yearly dividend check on the Success Mining stock $2,500 declared December 1, 1910, sell the lease for $20,000, the bonds at 102 and the shares at 59, advance to Arthur Green $10,000 on account of legacy and hand over the household furniture and books to Mrs. Jordan.

Prepare (a) summary statement separating principal and income, (b) statement showing amounts due beneficiaries, (c) statement showing commission due the executors. (No schedules required).

Ref. 32-6

Robert J. Green died on November 14, 1920, leaving four children, Arthur, Jane, Frederick and John. The estate consists of the following property: cash in the bank $100,000; books and household furniture $5,500; jewelry appraised at $3,500; 1,000 [illegible] 4% bonds at $1,000 each, interest payable January and July; sundry debts to the estate $7,500; bond and mortgage on James [illegible]'s real estate $15,000, 5% interest payable annually on December 31; leasehold property that has 10 years to run with an annual rental of $[illegible] and average yearly expenses for repairs, taxes etc. $[illegible], sublet to Charles [illegible] for a fixed rental of $7,000; at termination of lease landlord is to pay us $5,000 for all improvements. (Calculate the value of lease on the basis of the following data: 10 years' annuity of $1 at 4% gives 8.11 years' purchase; present value of $1 due in 10 years (4%) is .67556.

On opening the will the following bequests are found: the books and household furniture are donated to Mrs. [illegible] Jordan, a niece of the testator; to Paul Smith, a friend, $5,000; the balance of the property is to be equally distributed among the children. Four friends are designated by the will to act as executors: Paul Finley, John Smith, A. S. Neff and T. H. Jones.

The funeral expenses amount to $[illegible]; expenses of probating the will, executors' bond etc. $[illegible]; stationery and printing $75, inheritance tax $[illegible].

The executors collect the debtors' accounts, the interest on the New York Central bonds on January 1 and July 1, 1921 and on the bond and mortgage December 31, 1920, sell the jewelry for $[illegible],000, receive yearly dividend [illegible] on the Success Mining stock [illegible] declared December 1, 1920, sell the lease for $20,000, the bonds at 102 and the shares at 95, advance to Arthur Green $10,000 on account of legacy and hand over the household furniture and books to Mrs. Jordan.

Prepare (a) summary statement separating principal and income, (b) statement showing amounts due beneficiaries, (c) statement showing commission due the executors, (if otherwise required).

PROBLEM NO. 164

(N.Y. C.P.A. Examination)

James Stetson is appointed trustee of the manufacturing business of John Brightlawn, for the purpose of rehabiliation. On taking charge he finds that the available assets are: cash in bank, $356; accounts receivable, (a) good, $3,712; (b) probably uncollectible, $350. The working and trading assets consist of: raw materials, $17,258; sundry manufacturing supplies, $700; finished goods, $8,000; goods in process, $30,945.70. Other assets comprise: machinery and machine tools, $41,000; shop and hand tools, $1,300; deferred debits to manufacturing, $530. The liabilities are: creditors' account, $39,700; wages accrued, productive $500, unskilled $230.

The transactions under the trusteeship are as follows: Loaned by creditors for immediate needs, $7,000. Purchased on book accounts: raw materials, $8,300; sundry manufacturing supplies, $9,500. Factory expense: paid in cash, $1,300; incurred as a liability to creditors and subsequently liquidated, $2,100. The doubtful accounts receivable proved worthless. Cash paid for: productive labor, $16,000; unskilled labor $2,500; general expense, $8,000; additional shop tools, $609; freight inward, on raw materials manufactured and sold, $60. Interest allowed to creditors on their accounts amounted to $143.10. The trustee advanced $4,300 to John Brightlawn on account of expected profits; the sales of finished wares amounted to $91,000.

At the close of the trusteeship, the trustee's books show the working and trading assets to be: finished goods, $11,000; goods in process, $10,450; raw materials, $1,945.70; manufacturing supplies, $395.25. There is besides an amount of $750.10 representing factory expenses unapplied. The creditors' accounts show a balance of $1,650.30, while the uncollected accounts receivable amount to $2,975.36. The shop and hand tools amount to $1,609.

Prepare an account which, while respecting the fiduciary character of the relations of the trustee and of the proprietor of the business, will reflect logically and clearly the result of J. Stetson's administration.

Ref. 34-6

PROBLEM NO. 165

(N.Y C.P.A. Examination)

A trust estate, the funds remaining for division amounting to $225,000, is to be divided as of January 1, 1900. The beneficiaries were to share in the whole estate as follows: A two fifths, B one tenth, C two fifths and D one tenth. A was paid December 31, 1898, $10,000 and January 30, 1899, $5,000. C was paid December 31, 1897, $15,000. B and D were each paid January 30, 1898, $10,000. Prepare in correct form a statement showing the division of the remaining funds, calculating interest at 5%.

Ref. 45-6

PROBLEM NO. 166

(N.Y. C.P.A. Examination)

A small trust fund is invested for the benefit of a minor, having a taxable income; open accounts that will serve the interest of the recipient of the income:

January 1 Cash received as fund $30,000
January 2 Purchased 200 shares railroad stock @ $100
January 8 Sold 200 shares railroad stock @ $110
January 8 Dividends received $1,000

Ref. 47-3

PROBLEM NO. 167

(N.Y. C.P.A. Examination)

The following is the summary of a trial balance taken from the books of Messrs. Broad, Street & Company (stock brokers) Dec. 31, 1902:

Due from customers,........................	$5,250,000	
Due to customers,........................		$ 125,000
Cash,................................	75,000	
Loans,..		4,750,000
Borrowed and loaned account,.............		55,000
Investments,...........................	290,000	
Furniture and fixtures,..................	1,800	
Interest,..............................		16,700
Commission,............................		95,300
Expenses,..............................	17,200	
F.L. Broad,............................		325,000
T.J. Street,...........................		267,000
	$5,634,000	$5,634,000

An analysis of the borrowed and loaned account showed stocks borrowed $185,000, and stocks loaned $240,000. The firm owed commission bills amounting to $750, and the interest accrued on loans amounted to $1,520. The market value of the securities (not including stocks borrowed) calculated at closing prices Dec. 31, 1902, was $6,200,000, of which $5,700,000 was pledged to secure loans, $65,000 was in transfer, $243,000 was loaned to other brokers, the remaining $192,000 being on hand.

Prepare pro forma balance sheet with profit and loss account, dividing profits or losses equally among the partners.

Ref. 14-4

(N.Y. C.P.A. Examination)

A, B and C form a copartnership to engage in the business of buying and selling stocks on commission. A is a special partner and B and C are active partners. A and C each contribute $100,000 cash capital, and B who owns a seat on the stock exchange valued at $75,000 turned in, contributed $25,000, additional capital. A is to receive interest on his capital at 6% and 1/6 of the net profits. B and C are each to receive 5/12 of the net profits.

At the end of the first year the condition of the business is as follows:

Capital (subject to profits and withdrawal) as originally invested:	
New York city bonds, 4%, purchased at par for office account,	$3,100,000
Stock in office safe purchased for account of customers,	171,000
Customers' accounts, long	
No. of shares bought 35,000	
Market price,	$2,500,000
Cash margin par 10%,	350,000
Balance,	$2,150,000
Customers' accounts, short	
No. of shares sold 6,500	
Market price,	$ 585,000
Cash margin par 10%,	65,000
Balance,	$ 650,000

Bank loans on city bonds, par value, $3,000,000, less 5% margin. Bank loans on stocks, market value, $624,000, less 20% margin.

Stocks borrowed and loaned to account for full complement of securities.

Commission earned $88,700; excess of interest earned over interest paid, exclusive of interest on A's capital, $41,300.

Office salaries $7,800; office expense, rent etc. $40,000.

Partners' drawings A $15,000; B $30,000; C $30,000.

Prepare a statement showing the cash on hand, also a profit and loss account and a balance sheet.

Ref. 22-3

PROBLEM NO. 112

(N.Y. C.P.A. Examination)

A, B and C form a copartnership to engage in the business of buying and selling stocks on commission. [illegible] partner and B and C are active partners. A [illegible] $100,000 [illegible] and B who owns a seat [illegible] valued at $75,000 turned in [illegible] additional capital. A is to receive interest [illegible] at 6% and 1/6 of the net profits. B and C [illegible] 5/12 of the net profits.

At the close of the year [illegible] for the condition of the [illegible] is as follows:

Capital (subject to profits and withdrawals) [illegible]

Invested:

New York city bonds, 4% purchased at par for office account, ...

Stock in office made purchase for account of customers, ... [illegible]

[illegible] of surplus [illegible] 2[illegible],000

Market price ....

Cash margin per 10% .... [illegible]

Balance........ [illegible]

Customers' accounts, short

[illegible] 6,500

Market price........

Cash margin per 10%........ [illegible]

Balance........ [illegible]

Firm loan on city bonds, par value, [illegible]; Bank loans on stocks, market value [illegible]

[illegible] of commissions [illegible]

Commission earned [illegible]; excess of interest earned over interest paid, exclusive of interest on [illegible] office salaries [illegible],000; office [illegible], rent etc. [illegible]. Partners' drawings: A $10,[illegible]; B [illegible]; C [illegible].

Prepare a statement showing the [illegible] and loss account [illegible] balance sheet.

PROBLEM NO. 169

(N.Y. C.P.A. Examination)

Broad, Beaver & Co., Cotton Oil Brokers (members of P.E.C. Ass'n), trade in cotton oil options for their own account.

The following transactions appear on their books for to-day's trading:

PURCHASES FROM CLEARING HOUSE BROKERS

					Per 100 lb.
Carpenter, Bagot & Co...	400 bbl.,	Jan.	delivery,	price,...	$7.02
Morgan, Ryan & Co.,......	600 "	Mar.	"	"	7.21
do.	500 "	Jun.	"	"	7.20
William Commission Co.,..	500 "	Jul.	"	"	6.90
" .,..	100	"	"	"	6.92

SOLD TO CLEARING HOUSE BROKERS

Carpenter, Bagot & Co...	400 bbl.,	Jan.	delivery,	price,...	$7.03
Morgan, Ryan & Co.,.....	500 "	Mar.	"	"	7.22
do. .,.....	700 "	Jun.	"	"	7.19
William Commission Co.,.	100 "	Jul.	"	"	6.93

CLEARING HOUSE CLOSING PRICES

January,....................	$7.02
March,......................	7.22
June,.......................	7.20
July,.......................	6.93

NOTE--Each barrel is considered as containing 400 lb. of oil.

Show transaction in all the books and a profit and loss account, taking the inventory at closing prices.

Ref. 28-4

PROBLEM NO. [illegible]

[illegible]

Blood, Teaver & Co., Cotton Oil Brokers (members of [illegible]), trade in cotton oil options for their own account.

The following transactions appear on their books for [illegible]:

[illegible]

Sep. 20, 19[illegible]

Carpenter, [illegible] & Co. .. [illegible] bbl.,	Jan.	delivery,	price...	[illegible]
Morgan, Ryan & Co. ...... [illegible] "	[illegible]	"	"	[illegible]
Do. .... [illegible] "	[illegible]	"	"	[illegible]
William Commission Co., . [illegible] "	Oct.	"	"	[illegible]
" ...... [illegible] "	[illegible]	"	"	[illegible]

SOLD TO [illegible]

[illegible], Bright & Co... [illegible] bbl.,	Jan.	delivery,	price....	$7.[illegible]
Morgan, Ryan & Co., ... 500 "	[illegible]	"	"	[illegible]
Do. .... 700 "	[illegible]	"	"	7.[illegible]
William Commission Co., .. [illegible] "	Oct.	"	"	6.[illegible]

[illegible]

January.............. .... [illegible]
[illegible]
[illegible]
[illegible]

NOTE--Each barrel in [illegible] containing 400 lb. of oil.

Show transaction in all the books and in profit and loss account, taking the inventory at closing prices.

[illegible]

PROBLEM NO. 170

(N.Y. C.P.A. Examination)

A stock brokerage firm composed of three partners agreed to dissolve December 31, 1919.

The original capital contributed January 2, 1919 was as follows: Smith, cash $100,000; Walker, cash $150,000; Jones, cash $40,000. Jones's capital account was credited with $80,000 and his seat in the Stock Exchange held by the firm as collateral for the same.

The partnership agreement recites the following facts: Smith was allowed to withdraw $10,000 and charge same to Expense; Walker was allowed to withdraw $15,000 and charge same to Expense; Jones was allowed to withdraw $20,000 and charge same to Expense.

Interest on partners' capital was to be 5% per annum on original amount; profits or losses were to be shared equally.

The interim transactions during the year as recorded upon the blotter were:

Purchases of 1,000 bonds, par value $1,000 each, for $1,005,000, maturing January 2, 1929.

Purchases of stocks for customers, long, 50,000 shares (par value $100 each) for $4,750,000.

Sales of stocks for customers, short, 50,000 shares (per value $100 each) for $4,625,000.

Margin received in cash from customers, long, $500,000.

Margin received in cash from customers, short, $500,000.

The following loans were obtained from banks on collateral: On bonds $750,000: interest paid in full to December 31, 1919, $32,500; on stocks $150,000: interest paid in full to December 31, 1919, $6,000.

To complete transactions for account of customers all stocks were either borrowed or loaned.

The earnings consisted of commissions $175,000 received in full, interest receivable $85,000, of which $70,000 was collected.
The expenses were $62,500 (exclusive of partners' allowances or interest paid on capital), of which $2,500 remained unpaid at time of dissolution.

The partners had withdrawn as follows: Smith $16,500, Walker $18,750, Jones $18,500. The market value of the bonds was $1,004,500. The Stock Exchange seat was finally sold to Walker for $85,000, the profit therefrom reverting to the firm.

Prepare statements prior to dissolution, showing (a) cash receipts and disbursements, and balance in bank, (b) income and expenditures, (c) condition at time of dissolution, (d) respective partners' capital accounts,

Ref. 48-2

PROBLEM NO. 171

(N.Y. C.P.A. Examination)

The following is a trial balance of a firm of stockbrokers doing business under the name of Henderson & Greene:

Customers,	$10,500,000	
Customers,		$ 250,000
Cash,	150,000	
Loans,		9,500,000
Borrowed on loan account,		110,000
Investments,	580,000	
Furniture and fixtures,	3,600	
Interest,		33,400
Commission account,		190,600
Expenses,	34,400	
Henderson,		650,000
Greene,		534,000
	$11,268,000	$11,268,000

Stocks borrowed,	$ 370,000
Stocks loaned,	480,000
Commissions due other brokers,	1,500
Interest accrued on loans,	3,040
Stocks pledged to secure loans,	11,400,000
Stocks in transfer,	130,000
Stocks loaned to other brokers,	486,000
Stocks on hand,	384,000

Prepare from the above a financial statement in proper technical accounting form.

Ref. 50-5

STATEMENT OF AFFAIRS

PROBLEM NO. 172

(N.Y. C.P.A. Examination)

Jones & Robinson, merchants, are unable to meet their obligations. From their books and the testimony of the insolvent debtors the following statement of their condition is ascertained:

Cash on hand,	$ 5,500.00
Debtors: $1,000 good: $600 doubtful, but estimated to produce $200; $1,000 bad,	2,600.00
Property, estimated to produce $9,000,	14,000.00
Bills receivable, good,	4,250.00
Other securities: $3,000 pledges with partially secured creditors; remainder held by the fully secured creditors,	28,000.00
Jones, drawings,	9,000.00
Robinson, drawings,	8,400.00
Sundry losses,	13,500.00
Trade expenses,	7,400.00
Creditors unsecured,	25,000.00
Creditors partially secured,	23,900.00
Creditors, fully secured,	17,000.00
Preferential claims: wages, salaries and taxes,	700.00
Jones, capital,	10,000.00
Robinson, capital,	16,050.00

Prepare a statement of affairs, showing the liabilities and the asset with respect to their realization and liquidation: also a deficiency account, showing such of the above stated particulars as would account for the deficiency shown by the statement of affairs.

Ref. 1-1

PROBLEM NO. 173

(N.Y. C.P.A. Examination)

The books of A, B, & Co., July 1, 1897, show the following:

Cash on hand $175. Accounts receivable, good, $3,000; bad, $300; doubtful, $5,000 (expected to realize $3,800). Creditors, unsecured, $15,000; partially secured, $6,500 (estimated value of security $3,600); fully secured, $10,000 (estimated value of security $13,000). Rent of premises (taken for the year ending December 31, 1897) unpaid for June and July, $600. Salary of bookkeeper, due, $100. Liabilities on bills discounted $3,000. Stock of merchandise on hand $3,800 (estimated to realize $3,000). There is also a further liability, on a contract which A, B and Co. cannot complete, estimated at $2,500.

Prepare a statement of affairs, showing the financial condition of the firm.

Ref. 4-4

PROBLEM NO. 174

(N.Y. C.P.A. Examination)

John Fleming & Co. make an assignment for the benefit of creditors August 21, 1896. The books show the following assets and liabilities at that date: machinery and tools $7,524.61, merchandise $6,423.72, supplies $471.08, store and office fixtures $1,524.67, accounts receivable $4,071.29, cash in bank and in office $524.19, wages and salaries $624.71, unpaid taxes $432.12, chattel mortgage $7,500, accounts payable $3,471.20, bills payable, $4,424.68.

The assignee had an appraisal made as follows: machinery and tools $4,724.19, merchandize $4,819.24, supplies $194.17, store and office fixtures $624.23.

Of the accounts receivable $721.18 are considered worthless, The bank claims $500 of the cash balance to meet a bill receivable to that amount, discounted on the day of assignment. The mortgage above noted covers the machinery and tools and is dated June 1, 1894; interest at 6% paid to the last due date. There are insurance policies on the contents of the store for $10,000, dated July 1, 1896, one year, at 75 cents. The firm has discounted its bills receivable from time to time, and $2,427.21 (including the $500 note above mentioned) is outstanding at the time of the assignment.

Required, to make up the assignee's inventory and schedules and to show the amount of assets for which he would be obliged to give a bond.

Ref. 5-5

[illegible] Accounts receivable, [illegible] bad, [illegible] \$5,000 (expected to realize [illegible]). [illegible] \$15,000; partially secured, [illegible] value of \$3,000), fully secured, [illegible] value of \$13,000). Rent of premises [illegible] 31, 1897) unpaid for June and [illegible] bookkeeper, due, \$100. Liabilities on [illegible] Stock of merchandise on hand \$2,500 [illegible] There is also a further liability, on a [illegible] A, B and C [illegible]

Prepare a statement of affairs, showing the financial condition of the firm.

[illegible]

[illegible]

[illegible] & Co. made an assignment for the benefit of creditors August [illegible] [illegible] accounts receivable [illegible] wages and salaries [illegible]

The assignee [illegible] merchandise [illegible] supplies [illegible] and office fixtures [illegible]

Of the accounts receivable [illegible] the bank claims [illegible] of the cash [illegible]

[illegible] the assignee's [illegible] the amount of [illegible]

(N.Y. C.P.A. Examination)

Being requested by a merchant to prepare a statement for creditors, you find his accounts to be as follows: Real estate $25,000, mortgaged for $10,000, interest overdue $750, interest accrued $125; goods on hand $18,000; fixtures $1,250; merchandise in warehouse $10,000, on which the merchant has borrowed $3,000; accounts receivable deemed good $10,500, doubtful $1,500, known to be bad $2,000; bills receivable (held by bank as collateral for an advance of $5,000) $6,800; cash $2,500. In addition to the above secured claims you find the following: accrued rent $500; taxes $750; wages $1,250. The merchant also owes A $6,000, B $3,500, C $13,500, D $6,850, E $1,800, F $2,650, G $1,225, H $1,400, and there is an unsecured disputed claim of K for $1,300. Submit the statement required.

Ref. 8-2

PROBLEM NO. 176

(N.Y. C.P.A. Examination)

John Thompson exhibits the following balance sheet of his business, dated June 30, 1900:

Cash,..................	$ 750	Sundry creditors,....	$ 6,000
Book debts,............	9,500	Bills payable........	7,500
Stock on hand,.........	6,500	Bank (overdraft).....	3,000
Fixtures, etc.,........	1,750	Balance,.............	2,000
Total,............	$18,500	Total,..........	$18,500

On questioning Thompson it was found that he had omitted the following from his balance sheet: $250 owing for rent; $75 owing for taxes; $2,500 borrowed at 5% from his wife three years ago, no payment having been made on account of either principal or interest; a draft for $500 accepted by a firm without consideration, falling due in 30 days. His private and household debts amounted to $600.

The item entered on his balance sheet as cash included his personal I.O.U.'s for $600.

Of the book debts about $3,500 might be considered bad and the rest good. The stock was good except $1,000 which would not produce more than $100. The fixtures, if sold, would not realize more than $250. The only other assets were household furniture worth $1,250 and residence valued at $7,500 subject to a first mortgage for $5,000 at 4%, and also a second mortgage held by his bank as security for overdraft.

Prepare a statement of affairs.

Ref. 11-3

PROBLEM NO. 177

(N.Y. C.P.A. Examination)

One of the early experiences of the firm of Gardner & Kestin, Certified Public Accountants, was to make an investigation of the books and accounts of Evans, Smart & Byford (which firm had become involved in business difficulties and was compelled to stop payment) and to prepare from the following data a statement of affairs, accompanied by a deficiency account:

Unsecured creditors, A $35,000, B $27,500, C $26,000, D $24,500, E $17,500, F $15,000 and G $2,000; creditors for rent, salaries etc. $1,250, of which $750 was preferential: debtors $42,500, of which $37,500 was good, $1,825 doubtful (estimated to produce $625) and $3,125 bad; bills receivable, H $3,000, J $4,250, K $2,500, L $1,500; land and buildings $25,000, plant and machinery $8,500, stock on hand $5,000, furniture and fixtures $1,500, cash on hand $15,000, sundry profits $37,500, sundry losses $30,000, trading expenses $17,500. Evan's capital account was $5,000, Smart's $3,750, Byford's $3,750; Evan's drawings were $10,000, Smart's $15,000, Byford's $17,500.

Show how you would have prepared the statements required had you been employed to do the work.

Ref. 13-5

[illegible]

(N.Y. C.P.A. Examination)

[illegible] early experiences of the firm [illegible] & [illegible] Public Accountants, [illegible] Accounts of Evans, [illegible] involved in business difficulties [illegible] and to prepare from the [illegible] data a statement [illegible] accompanied by a deficiency account.

[illegible] creditors, A $30,000, B $[illegible], C $[illegible], D $[illegible], E $[illegible], F $15,000 and G $[illegible] [illegible] $[illegible], of which $[illegible] are preferred; [illegible] $[illegible], of which $[illegible] are good, $[illegible] doubtful [illegible] estimated to produce [illegible], and $[illegible] bad; Bills receivable, [illegible] J $4,200, K $[illegible], L $1,500. Land and buildings $[illegible], plant and machinery $[illegible], stock on hand $[illegible], furniture and fixtures $1,500, cash on hand $15,000, sundry profits $17,500, sundry losses $[illegible], trading expenses $17,5[illegible]. Evans's capital account was $5,000, [illegible] $[illegible], [illegible] $[illegible]. [illegible]

Show how you would have prepared the statements required had you been employed to do the work.

[illegible]

(N.Y. C.P.A. Examination)

Parker & Riley, being unable to meet their obligations, have made an assignment. You are asked to prepare a statement of their affairs for presentation at a meeting of their creditors. Some of the creditors are entirely or partially secured, the security being a part of the assets. It is desired to ascertain the true condition of the assets with reference to realization and the extent of the deficiency with respect to liquidation. Prepare also in connection with the statement of affairs a "deficiency account," explaining the deficiency shown in the statement of affairs. Following is a trial balance of their ledger at the date of the assignment:

Cash on hand and in bank,......................	$ 1,200	
Stock and material (invent. from prior period).	12,000	
Reliance Trust Co. stock, 20 shares at cost,...	2,200	
Accounts receivable,..........................	10,550	
Notes receivable,.............................	2,000	
Mortgage receivable (second) on 194 Front St.,.	1,000	
Real estate (store building and lot),.........	14,000	
Fixtures,.....................................	1,700	
Horses, trucks and harness (property account),.	1,400	
Accounts payable,.............................		$28,000
Loans payable,................................		7,000
Mortgage payable (on store building and lot),..		5,000
Purchases,....................................	30,000	
Sales,..		36,000
Rents,..		1,200
Salaries,.....................................	3,500	
Interest and discount,........................	960	
Taxes, insurance and building repairs,........	1,240	
General expenses,.............................	2,650	
Parker's capital,.............................		8,000
Riley's capital,..............................		4,000
Withdrawals, Parker,..........................	3,000	
Withdrawals, Riley,...........................	1,800	

The accounts receivable are divided as good, $8,000, doubtful $1,500 (estimated to produce $1,000), worthless $1,050. Notes receivable are estimated to realize $1,800; the second mortgage is estimated to produce $800; the trust company shares $1,800; the horses, trucks and harness $900; fixtures $1,000; store building and lot $12,500.

Of the amount due creditors (accounts payable) $20,000 is unsecured and $8,000 is secured by the second mortgage and the trust company stock. The loans payable are secured by the equity in the store building and lot.

The inventory of merchandise on hand, which foots $5,000, is expected to realize $3,000. Other liabilities are employees' wages $550 and accrued interest on mortgage $125.

Ref. 15-3

PROBLEM NO. 179

(N.Y. C.P.A. Examination)

A firm which began business with $50,000 capital goes into bankruptcy at the expiration of three years. For the first year its transactions showed a profit of $4,000 after $2,500 interest on capital had been charged. The other years showed a loss of $3,000 and $2,000 respectively. The partners had drawn at the rate of $5,000 a year. The condition of the firm at the time of failure was as follows:

Unsecured creditors,............................	$37,000
Secured " ,............................	30,000
(The security stood in the books at $35,000 but was estimated to produce only $20,000)	
Wages,..	1,600
Merchandise (estimated to realize $16,000,......	20,000
Accounts receivable ($2,000 uncollectible),.....	15,000
Real estate (estimated value $19,000),..........	15,000
Machinery and plant (estimated to produce $17,000),....................................	25,000
Cash,...	100

Prepare statement of affairs and deficiency account.

Ref. 18-3

(N.Y. C.P.A. Examination)

The Parker Construction Company is unable to meet its obligations and is forced into liquidation. At the time the receiver takes charge of its affairs the following trial balance is prepared from the company's books:

Cash,	$ 500	
Land and buildings,	10,000	
Mortgage on land and buildings,		$ 8,000
Plant and equipment,	20,000	
Creditors,		59,400
Completed contract account (losses),	18,000	
Capital,		50,000
Uncompleted contract accounts (outlay),	30,000	
Securities acquired in settlements,	15,000	
Debtors' accounts for completed contracts,	6,000	
Expenses,	6,500	
Inventory of materials,	2,000	
Profit and loss (deficiency),	9,400	
	$117,400	$117,400

The sureties on the unfinished contracts estimate that a further outlay of $20,000 will be required to complete the work and realize the contract price of $40,000, and their offer to take over the materials on hand for $1,500, as part of said cost, is accepted by the receiver. Of the securities acquired $5,000 is pledged to secure $11,000 due creditors, and $10,000 is pledged to secure $9,000 due creditors. The company owes for taxes on real estate $100 and for salaries and wages of employees $1,200, which sums do not appear on the books. The company has discounted customers' notes for $3,000, of which subsequent advices indicate that $1,000 will be dishonored, and a debtor owing $1,500 on unsecured account has failed and disappeared. It is estimated that the amount realized on land and buildings will be sufficient to satisfy the mortgage only, and that plant and equipment will realize only 6% of the book value.

Prepare a statement of affairs and deficiency account.

Ref. 19-1

[illegible]

[illegible]

[illegible] Company is [illegible] and is forced into liquidation. At the time the receiver [illegible] of its affairs the following trial balance is prepared from the company's books:

Cash..	$ [illegible]	
[illegible]	[illegible]	
Mortgage on land and buildings........................		$ 8,000
Plant and equipment...............................	[illegible]	
[illegible]		[illegible]
[illegible] contract account ([illegible])........	[illegible]	
[illegible]		[illegible]
[illegible]	[illegible]	
Securities [illegible] in settlements..............	[illegible]	
Debtors' accounts for completed contracts..........	[illegible]	
[illegible]	[illegible]	
Inventory of materials............................	[illegible]	
Profit and loss (deficiency)......................	[illegible]	
	[illegible]	[illegible]

The [illegible] on the uncompleted contracts indicates that a further outlay of $[illegible] will be required to complete the work and realize the contract price of $[illegible], and that [illegible] take over the materials on hand for $[illegible], as part of said [illegible], is accepted by the receiver. Of the securities acquired $[illegible] is pledged to secure $[illegible] due creditors, and $[illegible] is pledged to secure $[illegible] due creditors. The company owes [illegible] taxes on real estate $[illegible] and for salaries and wages of employees $[illegible], which sums do not appear on the books. The company has [illegible] customers' notes for $[illegible], of which [illegible] advices indicate that $1,000 will be [illegible], and a [illegible] [illegible] has failed and [illegible]. It is estimated that the amount realized on land and buildings will be sufficient to satisfy the mortgage only, and that plant and equipment will realize only [illegible] of the book value.

Prepare a statement of affairs and deficiency account.

PROBLEM NO. 181

(N.Y. C.P.A. Examination)

On June 30 Ward & Parker, merchants, announce their inability to meet their obligations and make an assignment for the benefit of creditors.

From an examination of their books, supplemented by other information, their condition appears to be as follows:

Liabilities	
Creditors, unsecured,	$31,250
Creditors, partly secured,	29,875
Creditors, fully secured,	21,250
Taxes and wages of employes (preferential),	875
Assets	
Cash on hand,	6,875
Chattels,	17,500
Bills receivable,	5,312
Warehouse receipts and other securities,	35,000
Sundry debtors,	3,250
Losses	
Profit and loss account, sundry losses,	16,875
Trade expenses, current period,	9,250
Personal	
Ward, Capital account, Cr,	12,500
Ward, personal drawings, Dr.,	11,250
Parker, capital account, Cr.,	20,062
Parker personal drawings, Dr.,	10,500
Accounts receivable show,	3,250
Bad accounts,	1,250
Doubtful accounts,	750
Expected to produce,	250

The securities are in the hands of creditors pledges to secure payment of their accounts, viz:

In hands of partly secured creditors,	$ 3,750
In hands of fully secured creditors,	31,250
The chattels are expected to realize,	11,250

Prepare a statement of affairs and a deficiency account.

Ref. 21-3

[illegible] & Ward & Parker, [illegible], [illegible] their inability to meet their obligations and make an assignment for the benefit of creditors.

From an examination of their books, supplemented by other information, their condition appears to be as follows:

Liabilities

Creditors, unsecured, [illegible]	
Creditors, partly secured, [illegible]	
Creditors, fully secured, [illegible]	
Taxes and wages of employees (preferential), [illegible]	

Assets

Cash on hand, [illegible]	
Chattels, [illegible]	
Bills receivable [illegible]	
Warehouse receipts and other securities, [illegible]	
Sundry debtors, [illegible]	

Losses

Profit and loss account, [illegible]	
[illegible]	

[illegible]

Ward, Capital account, Cr. [illegible]	
Ward, personal drawings, Dr. [illegible]	
Parker, capital account, Cr. [illegible]	
Parker personal drawings, Dr. [illegible]	
Accounts receivable [illegible]	
[illegible]	
[illegible]	
Expected to produce, [illegible]	

The securities are in the hands of creditors pledged to secure payment of their accounts, viz:

In hands of partly secured creditors,	$ 3,750
In hands of fully secured creditors,	31,250
The chattels are expected to realize,	11,250

Prepare a statement of affairs and a deficiency account.

Ref. 21-3

PROBLEM NO. 182

(N.Y. C.P.A. Examination)

The Montauk Manufacturing Company becomes insolvent and the receiver appointed to wind up its affairs has a balance sheet prepared from the books which shows the following values:

BALANCE SHEET JULY 2, 1906 - MONTAUK MANUFACTURING COMPANY

Assets			Liabilities	
Cash,................		$ 1,402	Bills payable,.......	$ 30,000
Bills receivable,	$ 2,108		Accounts payable,....	65,460
Accounts receivable,...........	19,740	21,848	Interest on bonds due July 2, 1906,......	2,700
Raw material,....	$16,200		Bonds issued for factory site and building,..	90,000
Partly manufactured goods,..	5,400		Taxes, wages, etc. due	2,500
Finished wares,.	13,900			
Consumable supplies,.......	300	35,800		
Factory site and buildings		90,000		
Machinery,......	$50,000			
Tools and appliances,........	7,000			
Boats,.........	8,000			
Horses and trucks	4,000			
Office fixtures,	600	69,600		
		$218,650		$190,660
Deficiency, losses,....		72,010	Capital stock,.......	100,000
		$290,660		$290,660

The machinery, boats, and horses and trucks are pledged on chattel mortgage to secure creditors to the amount of $45,000, $6,000 and $3,000 respectively.

The mortagees of the machinery agree to purchase it for $30,000 and the other mortgagees agree to take over the chattels in full satisfaction, which offers are believed to exceed what the securities would realize on forced sale.

It is estimated that raw materials, partly made, and finished wares can be sold for $29,000, while the consumable supplies are not in marketable quantities, that the tools and appliances will bring $4,000 and the office furniture $500. The bills receivable are all good but $1,640 of book debts are uncollectable. Customers' notes to the amount of $7,000 have been discounted and the maker of one of said notes for $340 has failed.

Prepare a statement of affairs and a deficiency account.

Ref. 22-5

PROBLEM NO. 183

(N.Y. C.P.A. Examination)

The Nassau Engineering Company fails and a receiver is appointed on March 1, 1907, who on taking charge finds the company's liabilities and assets to be as follows: creditors unsecured $59,100, partly secured $16,500, fully secured $13,500. The company owns real estate $15,000 which is mortgaged for $10,000; machinery and tools, $30,000; materials $3,000 and book debts $9,000, including $2,500 in litigation, on which a loss of 50% is expected; also securities of the value of $22,500 acquired in settlements, of which $7,500 are pledged with partly secured creditors and $14,000 with fully secured creditors. There are engineering contracts in force to the amount of $60,000 on which $45,000 has been expended. Cash in bank $750. The capital stock of the company is $75,000, and the accumulated losses on contracts, bad debts written off and expenses show a deficiency of $48,850. Customers' bills have been discounted to the amount of $4,500 of which $1,500 will be dishonored in consequence of failure of obligor. The machinery and tools are expected to realize only 50% of the book value and the real estate is appraised at $12,000. The cost to complete contracts is estimated at $30,000 by the sureties who offer $2,250 for the stock of materials on hand. Unpaid taxes and assessments amounting to $216 are discovered but no entry thereof appears in the company's books.

Prepare a statement of affairs and deficiency account in technical form.

Ref. 23-3

(N.Y. C.P.A. Examination)

Under pressure of financial difficulties the Princetown Contracting Company has applied to its creditors for extension of credit. The creditors' committee has engaged accountants to examine the books, and appraisers to appraise the physical property of the company. The examiners and appraisers are given, as a basis for their work, the following balance sheet, as prepared by the company's bookkeeper June 30, 1911:

DEBITS		CREDITS	
Plant and equipment,...	$150,000	Capital stock authorized and outstanding,...	$100,000
Horse, wagon and harness,................	3,000	Bond and mortgage payable, 6% due January 1, 1912,...........	85,000
Machinery and tools,...	110,000	Notes payable,........	35,000
Shop and hand tools,...	17,000	Audited vouchers unpaid	156,000
Materials and supplies,	38,000	Uncompleted contracts, installments,.......	45,000
Finished goods,........	5,675	Dividend #6, payable,.	5,000
Uncompleted contracts,.	72,300	Wages accrued,........	2,650
Cash,..................	48,800	Interest accrued on bond and mortgage payable,	425
Accounts receivable,...	11,150	Interest accrued on notes payable,......	470
Notes receivable,......	15,000	Reserve for plant and plant equipment,....	6,000
Accrued interest on notes receivable,....	530	Reserve for machinery and machine tools,..	5,400
Stationery and printing	1,220	Reserve for shop and hand tools,.........	1,500
Unexpired insurance,...	280	Reserve for horse, wagon and harness,..	1,450
		Reserve for contract contingencies,......	5,200
		Surplus,..............	23,860
	$472,955		$472,955

In due time the accountants render a report which, among other things, contains the following remarks:

"The account finished Goods represents the inventory, at cost, of certain machines built under contract during the six months of the present accounting period ended June 30, 1911, which the other contracting parties decline to accept, owing to flaws and violations of specifications. The Accounts Receivable are made up as follows: (a) subject to bona fide and admittedly reasonable claims by customers, for unsatisfactory goods manufactured under contract during prior periods, $3,600, (b) last installment due this company under contracts of the prior period,

Under pressure of financial difficulties the Princetown Contracting Company has applied to its creditors for extension of credit. The creditors' committee has engaged accountants to examine the books, and appraisers to appraise the physical property of the company. The examiners and appraisers are given, as a basis for their work, the following balance sheet, as prepared by the company's bookkeeper June 30, 1914:

ASSETS		LIABILITIES	
Plant and equipment...	$150,000	Capital stock authorized and outstanding....	$[illegible]
Horse, wagon and harness...........	3,000	Bond and mortgage payable, 5% due January 1, 1915	[illegible]
Machinery and tools...	115,000	Notes payable..........	[illegible]
Shop and hand tools....	17,000	Audited vouchers unpaid.	[illegible]
Materials and supplies,	35,000	Uncompleted contracts,	[illegible]
Finished goods........	1,675	[illegible]	[illegible]
Uncompleted contracts,.	72,300	[illegible]	[illegible]
Cash...	[illegible]	Interest accrued on bond and mortgage payable,	[illegible]
Accounts receivable...	[illegible]	Interest accrued on notes payable,.....	475
Notes receivable...	[illegible]	Reserve for plant and plant equipment,...	6,000
Accrued interest on notes receivable,....	300	Reserve for machinery and machine tools,..	3,450
Stationery and printing	1,240	Reserve for shop and hand tools	[illegible]
Unexpired insurance,...	280	Reserve for horse, wagon and harness,..	1,500
		Reserve for contract [illegible]	[illegible]
		Surplus....	[illegible]
	$[illegible]		$[illegible]

In due time the accountants render a report which, among other things, contains the following remarks:

"The account 'Finished Goods' represents the inventory, at cost, of certain machines built under contract during the six months of the present accounting period ended June 30, 1914, which the other contracting parties decline to accept, owing to flaws and violations of specifications. The Accounts Receivable are made up as follows: (a) subject to some [illegible] reasonable claims by customers, for unsatisfactory goods manufactured under contract during prior periods, $2,0[illegible]; (b) last instalment due this company under contracts of the prior period,

completed and delivered, $7,550; the aggregate amount of these installments is due August 1, 1911, but is subject to certain guarantees which have subjected this company to fines of $1,500 on account of defective work; these fines will be deducted from the instalments when due; the balance of the amount of $7,550 will be collected in due time. The account Uncompleted Contracts, Instalments, represents amounts paid by customers during June 1911, on certain contracts reaching a specific stage of development. The unexpired insurance premiums would, if the policies were canceled, produce $160. There exists no liability for discounted notes. The notes receivable on hand are indorsed by responsible parties."

The appraisers report as follows:

"The physical assets of the company, as appraised by us, would produce at forces sale: plant and plant equipment, $90,000, machinery and tools $55,000, shop and hand tools $5,000, horse, wagon and harness $1,000. The contracts would require, to carry them to completion, an expenditure of the following: material $10,000, labor $7,000, factory overhead $3,000, irrespective of general overhead. We are informed by the Surety Company, who have guaranteed the completion of the contracts, that they will undertake to complete them provided this company will sell them, for $9,000, the amount of materials which we have estimated to be necessary for completion, and provided, further, that this company will accept in settlement, the cost to it of the contracts as they stand on its books at June 30, 1911, with 4% of the said amount added for profits. The balance of the materials and supplies would produce $20,000. The finished goods are worth only their scrap value, i.e. $250. The stationery and printing are worth $10."

The books of the company show that the contracts in process will, when completed, produce $130,000.

From the above facts, prepare (a) statement of affairs at June 30, 1911, (b) deficiency account that will account logically for the losses incurred by the company and by its creditors, under the assumption that the creditors are considering favorably the dissolution of the company and the completion of the contracts by the gurantors.

Ref. 50-6

[illegible] delivered, $7,5[illegible], [illegible] complete account of [illegible] [illegible] August 1, 1911, [illegible] subject to certain [illegible] have subjected this company to fines of $1,5[illegible] [illegible] of defective work; these fines will be deducted from [illegible] installments then due; the balance of the amount of $7,5[illegible] will be collected in due time. The account 'Uncompleted Contracts, [illegible]' represents amounts paid by customers during June 1911 in certain contracts requiring a specific stage of development. The unexpired insurance premiums would, if the policies were canceled, produce $150. There exists no liability for discounted notes. The notes receivable on hand are indorsed by responsible parties."

The appraisers report as follows:

"The physical assets of the company, as appraised by us, would produce at forced sale: plant and plant equipment, $[illegible], machinery and tools $[illegible], shop and hand tools $[illegible], horses, wagon and harness $1,[illegible]. The contracts would require, to carry them to completion, an expenditure of the following: materials $10,000, labor $7,000, factory overhead $3,000, proportion of general overhead [illegible]. We are informed by the Surety Company, who have guaranteed the completion of the contracts, that they will undertake to complete them provided this company will sell them, for $5,000, the amount of materials which we have estimated to be necessary for completion, and provided, further, that the company will accept, in settlement, the cost to it of the contracts as they stand on its books at June 30, 1911, with 4% of the cost amount added for profits. The balance of the materials and supplies would produce $20,000. The finished goods are worth only their scrap value, i.e., $250. The stationery and printing are worth $10."

The books of the company show that the contracts in progress will, when completed, produce $[illegible].

From the above facts, prepare (a) statement of affairs at June 30, 1911, (b) deficiency account that will account in detail for the losses incurred by the company and by its creditors, under the assumption that the creditors are considering favorably the dissolution of the company and the completion of the contracts by the guarantors.

Ref. [illegible]

PROBLEM NO. 185

(N.Y. C.P.A. Examination)

Messrs. Green & Sharp, having given the firm notes to a friendly company as an accomodation, became embarrased through the failure of the payee and appointed a trustee to realize and liquidate. The following is a statement of their condition January 1, 1896:

ASSETS		
Cash on hand and in bank,	$ 500	
Stock of goods,	20,000	
Real estate,	25,000	
Bills receivable,	5,000	
Book debts receivable (including accomodation account of payee $58,000),	62,000	
LIABILITIES		
Mortgage on real estate,		$ 5,000
Mortgage interest, accrued to January 1, 1896,		250
Taxes,		375
Book debts payable (including accomodation paper of payee, $58,000),		61,550
Bills payable,		1,000
Henry Maxwell, special partner,		10,000
Samuel Green, capital,		20,325
James Sharp,		14,000
	$112,500	$112,500

The following is a memorandum of the trustee's transactions for the year: purchases to complete contract orders $70,000; sales for year for cash $108,000; uncollected accounts $2,000; stock of goods on hand December 31, 1896 $10,000; bills receivable collected at a loss of $600; book debts receivable, collected $3,600, balance lost; received 75% in full settlement of accomodation notes, and paid cash on account of same $48,000, giving renewal notes for $10,000. The legal fees, interest and petty expenses paid on account of accomodation paper amounted to $2,400.

The following payments were also made: mortgage, with interest, and one year's accrued interest to December 31, 1896; taxes, bills payable and book accounts payable; clerk hire, wages and other business expenses, with allowance of $100 per month to each of the partners, one year's interest at 6% to special partner, interest on Green's surplus capital ($6,325) one year at 6% and the trustee's fee of $5,000 - in all $10,000.

The special partner had an interest of 1/10 and the general partners shared alike in the residue of the netpprofits and losses.

On January 1, 1897, the estate reverted to the firm.

Prepare (a) trustee's realization and liquidation accounts, (b) balance sheet of the estate at termination of trust, (c) partners' accounts.

Ref. 2-1

PROBLEM NO. 186

(N.Y. C.P.A. Examination)

X, Y and Z, foundrymen, unable to meet their obligations, suspended payment Jan. 1, 1902, and appointed a trustee to realize and liquidate for the benefit of their creditors. The books showed the following assets and liabilities:

ASSETS

Land and buildings,	$125,000
Machinery and tools,	75,000
Furniture and fixtures,	10,000
Materials and supplies,	95,000
Bills receivable,	15,000
Accounts receivable,	115,000
Cash,	450
Total assets,	$435,450

LIABILITIES

Mortgage on foundry premises,	$100,000
Bills payable,	135,000
Accounts payable,	105,000
Interest accrued on mortgage,	1,250
Taxes accrued (estimated),	835
Capital,	93,365
Total liabilities,	$435,450

The trustee's cash receipts and payments during the year were as follows:

RECEIPTS

Bills receivable (outstanding Jan. 1, 1902),	$ 15,000
Accounts receivable (outstanding Jan. 1, 1902),	106,500
Cash sales,	5,435
Bills receivable (contracted during year 1902),	13,500
Accounts receivable (contracted during year 1902),	212,000
Total receipts,	$352,435

PAYMENTS

Bills payable,	$ 25,000
Accounts payable,	35,000
Interest on mortgage one year at 5%,	5,000
Taxes for the year 1901,	865
Purchase of materials and supplies,	98,000
Labor,	135,000
General expenses,	45,000
Interest on bills payable to Sep. 30, 1902 at 5%,	2,800
Total payments,	$346,665

Other transactions were as follows:

Sales on credit,		$335,000
Bad debts written off:		
Accounts prior to Jan. 1, 1902,	$8,000	
Accounts subsequent to Jan. 1, 1902,	2,000	10,000
Discounts and allowances to customers:		
Accounts prior to Jan. 1, 1902,	$ 500	
Accounts subsequent to Jan. 1, 1902,	300	800
Notes received from customers,		20,000
Notes given to creditors ($110,000 being renewals),		180,000
Inventory of materials and supplies Dec. 31, 1902, amounted to,		92,000

The trust terminated at the end of the year and the business was turned back to the owners.

Prepare realization and liquidation account: also a balance sheet showing the financial condition of the business at the termination of the trust. Accrue taxes for the year in the usual manner, i.e., on the basis of the charge for previous year.

Ref. 14-2

PROBLEM NO. 187

(N.Y. C.P.A. Examination)

The Metropolitan Book Company, a corporation, goes into voluntary liquidation and the directors of the company, three in number, are designated trustees in liquidation.

Below is a trial balance of the Book Company as of July 1, 1903, the date when its affairs are turned over to the trustees:

1 Capital stock,........................		$20,000.00
2 Cash,........................	$ 553.69	
3 Office furniture,........................	1,666.92	
4 Meter deposit,........................	60.00	
5 Accounts receivable,........................	26,153.95	
6 Rogers & Co. moneys collected for their account,........................		14,738.00
7 Notes payable,........................		27,573.50
8 Accounts payable,........................		4,197.22
9 Merchandise purchases,........................	27,404.74	
10 Merchandise sales,........................		8,045.35
11 Expense,........................	10,751.97	
12 Surplus (deficit),........................	7,962.80	
	$74,554.07	$74,554.07

Value of merchandise on hand $20,183.86; other assets (items 3, 4 and 5) valued as in ledger.

Trustees' cash receipts and payments are as follows:

RECEIPTS

Balance on hand,........................	$ 553.69
Meter deposit,........................	60.00
Office furniture sold,........................	487.90
Accounts receivable collected,........................	22,872.75
Additional collections for Rogers & Co. (in full)...	1,965.24
Sales of merchandise,........................	22,090.70
Commissions received from Rogers & Co.,........................	6,703.24
	$54,733.52

PAYMENTS

Notes paid,........................	$27,573.50
Accounts paid,........................	4,197.22
Merchandise bought,........................	562.55
Expenses,........................	5,697.01
Remitted to Rogers & Co. in full,........................	16,703.24
	$54,733.52

Accounts receivable not collected are worthless. Prepare the account of the trustees in liquidation.

Ref. 17-4

The Metropolitan Book Company, a corporation, [illegible] into voluntary liquidation and the directors of the company, three in number, are designated trustees in liquidation.

Below is a trial balance of the Book Company as of July 1, [illegible], the date when its affairs are turned over to the trustees:

[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible] furniture	[illegible]	
4 Meter deposit	[illegible]	
[illegible]	[illegible]	
6 Rogers & Co. moneys collected for their account		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible] purchases	[illegible]	
10 Merchandise sales		[illegible]
11 Expense	10,[illegible]	
12 Surplus (deficit)	[illegible]	
	[illegible]	[illegible]

Value of merchandise on hand $20,185.60; other assets (items 3, 4 and 5) valued as in ledger.

Trustees' cash receipts and payments are as follows:

RECEIPTS

Balance on hand	[illegible]
Meter deposit	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Additional collections for Rogers & Co. (in full)	[illegible]
Sales of merchandise	[illegible]
Commissions received from Rogers & Co.	[illegible]
	[illegible]

[illegible]

[illegible]	[illegible]
Accounts paid	[illegible]
Merchandise bought	[illegible]
Expenses	[illegible]
Remitted to Rogers & Co. in full	[illegible]
	[illegible]

[illegible] the account of the trustees in liquidation.

PROBLEM NO. 188

(N.Y. C.P.A. Examination)

From the facts set forth in problem arrange, in skeleton form, ledger accounts and outlines of subordinate book entries for

a. The Metropolitan Book Co.
   1. As turned over to trustees, July 1, 1903;
   2. As closed after receipt of trustees' account.

b. The trustees in liquidation
   1. When business was turned over to them, July 1, 1903;
   2. When business was closed and account rendered.

Ref. 17-5

PROBLEM NO. 189

(N.Y. C.P.A. Examination)

Walter Hopkins, while perfectly solvent and doing a profitable manufacturing business, had so tied up his capital in plant and materials that he was unable to pay his debts and was on the point of suspending for want of funds to pay for labor, and his creditors were preparing to commence legal proceedings to enforce a settlement. The condition of his affairs at this time was as follows:

BALANCE SHEET

Liabilities		Assets	
Creditors,	$20,230	Plant,	$25,198
Capital,	50,000	Cash,	212
Surplus,	4,900	Materials, raw and partly finished,	40,400
		Finished goods,	6,070
		Accounts receivable,	3,250
	$75,130		$75,130

At a meeting of creditors he said that while his plant was entirely efficient, it was all of special character and would realize on forced sale only the value of scrap, that the unfinished goods would require the employment of skill and processes known to him only, and that while forced suspension would yield to his creditors not over 50%, it would ruin him absolutely.

The creditors decided to advance him a loan of $5,000 to continue operations and allow him additional credit for materials and expenses. A trustee was appointed to see that the proceeds were used solely for recuperation of the business.

The subsequent operations under the supervision of the trustee were as follows:

Purchases on book account charged to materials $5,100, to expense, $12,000; sales on book account, $57,802; losses on bad debts, $300; cash receipts (loan from creditors) $5,000; settlement from debtors, $58,100; cash payments for labor, $12,500; for expense, $4,350; for plant, $600. Creditors, $42,030; Walter Hopkins, personal drawings, $3,000.

There remained raw materials, $4,000, finished goods $22,388.

Prepare (a) realization and liquidation account (b) trustees' cash account, (c) balance sheet of the estate as restored to Walter Hopkins.

Ref. 19-2

[illegible]

[illegible] (Continued)

Walter Higgins, while perfectly solvent [illegible] a profit- [illegible] in plant [illegible] manufacturing purposes, [illegible] and materials that he was unable to pay his [illegible] and his [illegible] point of [illegible] to enforce [illegible] were [illegible] a settlement. The condition of his affairs at this time was as follows:

[illegible]

[illegible]		Plant	[illegible]
Creditors	[illegible]	Cash	[illegible]
Capital	[illegible]	Materials, raw and partly finished	[illegible]
Surplus	[illegible]	Finished goods	[illegible]
		[illegible]	[illegible]
	[illegible]		[illegible]

It [illegible] he [illegible] that [illegible] plant [illegible] special [illegible] and [illegible] the value of [illegible] sale [illegible] would cause [illegible] it would [illegible] yield to his creditors [illegible]

The creditors [illegible] operations [illegible] and expenses. [illegible] the [illegible]

The subsequent [illegible] under the supervision of the trustee were as follows:

Purchases on account [illegible] expenses, [illegible] debts, [illegible] [illegible] Walter [illegible]

There remains raw materials, [illegible]

Prepare (a) realization and liquidation [illegible] (b) [illegible] cash account, (c) [illegible]

[illegible]

(N.Y. C.P.A. Examination)

The Fox & Dix Company, a close corporation, became embarrassed through the failure of a friendly company to whom they had given their accomodation paper and a trustee was appointed Feb. 1, 1906, to take charge of their affairs for the benefit of their creditors.

The condition of the estate when the trustee took charge was as follows:

Liabilities	
Mortgage on real estate, maturing Feb. 1, 1907,........	$ 15,000
Interest, due Feb. 1, 1906, 6 mo. at 5%,...............	375
Taxes due,...	210
Book accounts payable,.................................	3,900
Bills payable (including accomodation paper $56,000),..	57,400
Capital stock,...	40,000
Surplus per profit and loss account,...................	3,987
	$120,872

Assets	
Cash on hand and in bank,..............................	$ 650
Merchandise (stock of goods),..........................	25,310
Book debts (including accomodation account $56,000),...	60,800
Bills receivable,......................................	4,112
Real estate,...	30,000
	$120,872

In order to complete contracts and so realize to the best advantage on the goods in stock the trustee purchased merchandise to the amount of $50,000 and during the year collected $100,002 cash from sales.

The accomodation account was settled for 60%, the other book debts realized $4,100 and the bills receivable $3,600. Balance lost.

The accomodation paper was settled by paying $40,000 cash and renewing $16,000, entailing legal fees, interest and petty expenses of $2,200.

The other bills payable, the accounts payable, taxes and interest on mortgage for 18 months, were paid in course of settlement, and the principal of the mortgage was paid off at maturity.

The running expenses were as follows: clerk hire $1,500; office expenses $1,000; allowances to officers $3,000; trustee's commissions $3,000.

On Feb. 1, 1907, the trustee surrendered charge of the company's offices and paid over the cash balance in his hands. On said date there were also uncollected book debts $2,000 and merchandise stock $8,000.

Prepare a realization and liquidation account, a trustee's cash account and a balance sheet of the estate at termination of trust.

Ref. 22-2

[illegible]

[illegible] the failure of a friendly company to whom they had [illegible] accommodation paper and a trustee was appointed [illegible] to take charge of their affairs for the benefit of [illegible]

[illegible]

Liabilities

Mortgage on real estate, maturing Feb. 1, 1907........	$ 15,000
Interest, due Feb. 1, 1906, 6 mo. at 5%..............	375
[illegible]	[illegible]
[illegible]	[illegible]
Bills payable (including accommodation paper $[illegible]),...	37,400
Capital stock,..	40,000
Surplus per profit and loss account,.................	5,[illegible]
	[illegible]

Assets

Cash on hand and in bank,............................	$ [illegible]
[illegible]	[illegible]
Book debts (including accommodation account $[illegible]),...	6[illegible]
Bills receivable,....................................	[illegible]
[illegible]	[illegible]
	[illegible]

In order to complete contracts and to realize to the best advantage on the [illegible] in stock the trustee purchased merchandise to the amount of $[illegible] and during the year collected $100,000 cash from sales.

The accommodation account was settled for [illegible], the other book debts realized $4,100 and the bills receivable [illegible]. Balance lost.

The accommodation paper was settled by paying $[illegible] cash and renewing $[illegible], entailing legal fees, interest and petty expenses of $[illegible].

The other bills payable, the accounts payable, taxes and interest on mortgage for 12 months, were paid in course of settlement, and the principal of the mortgage was paid off at maturity.

The running expenses were as follows: clerk hire $1,500; office expenses $[illegible]; allowances to officers $[illegible]; trustee's commission $[illegible].

On Feb. [illegible], 1907, the trustee surrendered charge of the company [illegible]

said date there were also uncollected book debts [illegible] and merchandise stock [illegible].

Prepare a realization and liquidation account, a trustee's [illegible] account and a balance sheet of the estate at termination of trust.

(N.Y. C.P.A. Examination)

The affairs of Peter Post, a manufacturer, were in a very critical condition, for although he had an unimpaired investment of $62,500, and his books showed a clear increase of $6,022, he owed his trade creditors $25,289 and had only $265 in cash and $4,062 in receivable book accounts on which to rely for funds. The rest of his business estate was tied up in the following chattels which he had acquired in an effort to keep pace with a business growth that has outrun his capital; machinery and tools $31,562 and finished wares $7,587. It was also necessary in order to continue operations to have immediate cash for pay rolls and incidental expenses.

A meeting of his principal creditors was called and as it appeared that the business was well established, profitable and had a sure and growing market, they decided to advance him $6,000 in cash for immediate needs and extend his credit in a sufficient amount to permit of the purchase of necessary materials and generally to continue operations till the present stock of materials could be made up and realized on.

In order to insure the proper application of the funds and credit so provided, a trustee was appointed to administer the finances till the creditors' claims were satisfied, at which time the control would revert to the proprietor.

The subsequent operations under the trusteeship were as follows: cash paid for labor $15,725, for expenses $5,430, for additional tools $750; purchases on book account, charged to materials $6,300, to expenses $15,000; sales on book account $72,300; loss on collection of book debts $380; personal drawings of Peter Post $3,500.

The unliquidated values at the close of the trusteeship were as follows: inventory of raw materials $5,000; finished wares $27,900; accounts receivable outstanding $3,382 and accounts payable $89.

Prepare with due regard to the grouping, order and arrangement of the items, as best calculated clearly to display the facts, (a) realization and liquidation account, (b) trustee's cash accounts, (c) balance sheet of business as restored to Peter Post.

Ref. 23-2

(N.Y. C.P.A. Examination)

A, B, C and D, partners sharing profits equally, decided to dissolve partnership, and on December 31, 1908, appoint a liquidator and transfer all assets to him. He is to receive for his services 5% of the cash collected by him in the liquidation of the assets. The liquidator is also to be allowed the expenses paid by him in the liquidation of the business as follows:

Clerk hire,	$1,000
Rent,	500
Miscellaneous expenses,	700

All the debts of the firm were paid and all the notes and the accounts were collected excepting $3,200 of worthless and uncollectible accounts. The furniture and fixtures brought $2,800, and the merchandise was sold for $18,000 cash. The balance payable to partners was distributed on December 31, 1908. No interest is to be figured on the partner's accounts or on the moneys in possession of the liquidator.

Prepare cash account of liquidator, statement showing expenses and losses in liquidation, and statement of the partners' accounts. The balance sheet of the firm on December 31, 1908, was as follows:

	Debits	Credits
Furniture and fixtures,	$ 3,500	
Merchandise inventory,	20,500	
Notes receivable,	14,000	
Accounts receivable,	38,000	
Unearned insurance premium expiring during 1908	800	
Cash,	7,500	
Notes payable,		$ 5,000
Accounts payable,		38,740
Accrued interest on notes payable,		80
Accrued taxes,		480
A's account,		16,000
B's account,		8,000
C's account,		10,000
D's account,		6,000
Totals,	$84,300	$84,300

Ref. 27-1

PROBLEM 19. 10[illegible]

(N.Y. C.P.A. Examination)

[illegible] partners sharing profits equally, decided to [illegible] partnership, and on December [illegible], 19[illegible], appointed a liquidator [illegible] all assets to him. He is to receive for his [illegible] the cash collected by him in the liquidation of [illegible]. The liquidator is also to be allowed the expenses [illegible] in the liquidation of the business as follows:

[illegible] $1,[illegible]

All the debts of the firm were paid and all the notes and the accounts were collected excepting $[illegible] uncollectible accounts. The furniture and fixtures [illegible] and the merchandise was sold for $[illegible] cash. [illegible] interest is to be figured on the partner's accounts [illegible] moneys in possession of the liquidator.

Prepare cash account of liquidator, statement [illegible] and losses in liquidation, and statement of the partners' accounts. The balance sheet of the firm on December 31, 19[illegible] was as follows:

	Debits	Credits
Furniture and fixtures	[illegible]	
Merchandise inventory	[illegible]	
Notes receivable	[illegible]	
Accounts receivable	[illegible]	
[illegible]	[illegible]	
Cash	[illegible]	
Notes payable		[illegible]
Accounts payable		[illegible]
Accrued interest on notes payable		[illegible]
A's account		[illegible]
B's account		[illegible]
[illegible]		[illegible]
Totals	[illegible]	$[illegible]

Ref. [illegible]

PROBLEM NO. 193 191

(N.Y. C.P.A. Examination)

The directors of a manufacturing company, before the closing and auditing of the books for the half year ending December 31, declared out of the net earnings of the company, a dividend for the half year, of 4% on the preferred stock of $100,000 and 3% on the common stock of $100,000. There has been brought forward from the last half year, an undivided balance of profit of $4,000 and after the audit of the books the trial balance is found to be as follows:

TRIAL BALANCE DECEMBER 31

Real estate and building,	$32,500	Preferred stock,.....	$100,000
Plant and machinery,....	40,000	Common stock,........	100,000
Patents and good will,..	80,000	Sales,...............	219,175
Inventory July 1,.......	29,000	Notes payable,.......	26,000
Purchases,..............	82,500	Account payable,.....	14,000
Labor,..................	88,000		
Coal,...................	6,000		
Salaries general,.......	11,000		
Salaries management,....	5,000		
Insurance,..............	875		
Allowances,.............	6,250		
Freight,................	1,500		
Discount and interest,..	750		
Cash in bank,...........	8,000		
Investments,............	15,500		
Miscellaneous expense,..	4,300		
Book debts,.............	42,000		
Pfd. stock in treasury,.	5,000		
Repairs,................	1,000		
	$459,175		$459,175

Stock on hand $26,500. From the above prepare profit and loss and income statement and balance sheet, giving effect in accounts to depreciation at the rate of 7-1/2% a year, on plant and machinery, and making an allowance of 5% on the book debts to provide for bad debts; also create a liability in the balance sheet for dividend as stated.

Ref. 28-2

[illegible]

... to be as follows:

[illegible]

Real estate and buildings	[illegible]		Common stock	[illegible]	
Plant and machinery	[illegible]				
Inventory July 1,	[illegible]				
Discount and interest	[illegible]				
Cash in bank	[illegible]				
Investments	[illegible]				

[illegible]

PROBLEM NO. 194

(N.Y. C.P.A. Examination)

The Black Birch Spool Company decided to retire from business and dissolve the corporation. To that end a meeting of the stockholders was called for September 10, to consider the determine the advisability of such action. The stockholders decided to dissolve the company and authorized the president and the treasurer to perform all necessary acts to accomplish this end at the earliest possible date.

A trial balance from the company's books taken at the close of business, August 31, showed the following amounts:

Land and building,....	$ 55,000	First mortgage 6% bonds,.............	$ 26,000
Machinery and machine tools,..............	35,000	Interest accrued on above bonds,....	312
Shop and hand tools (in store),..............	5,000	Accounts payable,....	21,700
Furniture and fixtures,	9,700	Reserve for depreciation of Bldg.,..	5,300
Raw materials and freight thereon,......	10,350	Reserve for depreciation of Mach.,..	8,000
Accounts receivable,....	23,400	Reserve for depreciation of furniture and fixtures...	5,100
Cash in bank and in offices,.............	11,320	Surplus,.............	23,358
		Capital stock, authorized, issued and outstanding,....	60,000
	$149,770		$149,770

The land and building were sold to the mortgagee for $50,000 as of August 31. The entries on the cash book between September 1 and September 30 show the following receipts and disbursements:

Receipts: land and building $21,234; machinery $25,340; shop and hand tools $2,100; furniture and fixtures $3,700; raw materials $7,950; accounts receivable $23,130.

Disbursements: Accounts payable $21,700; miscellaneous expenses $1,530.20.

Prepare (a) journal entries reflecting the dissolution of the company, as at September 30, (b) statement of realization and liquidation that will show the percentage payable to the stockholders on their holdings.

Ref. 44-6

BRANCH OFFICE & FOREIGN EXCHANGE ACCOUNTING

PROBLEM NO. 195.

(N.Y. C.P.A. Examination)

The trial balance of Jones & Smith, Chicago branch, shows Dec. 31, 1904, the following:

Home office,..		$2,000
Due from customers,...........................	$2,500	
Cash on hand,...................................	1,000	
Expenses,...	1,900	
Merchandise,....................................		3,400
	$5,400	$5,400

Inventory $1,000.

Draft the necessary journal entries to close the accounts on the branch books, and the entries to be made in the home office to make the books agree.

Ref. 18-4.

PROBLEM NO. 196.

(Illinois C. P. A. Examination)

A company with its head office in Chicago and its factory at South Bend Ind., conducts three selling branches in New York, San Francisco, and Montreal which are supplied with goods from the factory, the invoice being sent out from the head office.

The branches keep their own sales ledgers, send out monthly statements to customers, and receive cash against their ledger accounts, which they remit weekly to Chicago.

All branch expenses, including salaries and wages, are paid by the branches from petty cash accounts, kept at a fixed balance of $500.00, by draft on the head office.

The following information is supplied by the branches at December 31, 1913, summarizing the transactions of the previous six months:

	New York	San. Fran.	Montreal
Rents and Taxis paid, ...	$ 200.00	$ 175.00	$ 75.00
Sales for 6 months to . . . . Dec. 31, 1913, on account . .	12,500.00	11,800.00	10,225.00
Salaries and Wages	1,650.00	1,520.00	1,600.00
Returned Sales	200.00	100.00	250.00
Allowances to Customers . . .	50.00	40,00	30.00
Bad Debts		125.00	60.00
Cash Sales	6,250.00	5,380.00	6,100.00
Cash Received from Customers on Ledger Accounts	10,850.00	10,260.00	9,150.00
Debtors, July 1, 1913	5,820.00	6,140.00	7,240.00
Debtors, Dec. 31, 1913	7,220.00	7,415.00	7,975.00
Petty Cash on Hand, July 1, 1913	500.00	500.00	500.00
Petty Cash on Hand, Dec. 31, 1913	500.00	500.00	500.00
Stock, July 1, 1913	3,450.00	3,820.00	3,650.00
Goods Received from Head Office Factory	11,500.00	10,240.00	10,350.00
Stock, Dec. 31, 1913	4,300.00	4,720.00	4,500.00

From these details prepare branch accounts as they should appear in the head office books and draw up a final general trial balance with branch profit and loss accounts.

(Illinois C. P. A. Examination)

[illegible] with its head office in Chicago and the factory at [illegible], conducts [illegible] branches in New York, [illegible] which are supplied with goods from the factory, the invoices being sent out from the head office.

The branches keep their own sales ledgers, send out monthly statements to customers, and receive cash against their ledger accounts, which they remit weekly to Chicago.

All branch expenses, including salaries and wages, are paid by the branches from petty cash accounts, [illegible] a fixed balance of [illegible],00, [illegible] head office.

The following information is supplied by the branches at December 31, 1915, summarizing the transactions of the previous six months:

	[illegible]	[illegible]	[illegible]
Rents and Taxes paid	$ [illegible]	$ 175.00	$ [illegible]
Sales for 6 months to	12,[illegible]	11,900.00	10,[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Salaries and wages	[illegible]	[illegible]	[illegible]
Returned sales	[illegible]	[illegible]	[illegible]
Allowances to customers	[illegible]	185.00	[illegible]
[illegible]	6,[illegible]	[illegible]	[illegible]
[illegible]			
Cash received from customers on account . .	10,[illegible]	11,[illegible]	[illegible]
Ledger accounts	[illegible]	[illegible]	[illegible]
Debtors, Dec. 31, 1915	[illegible]	500.00	[illegible]
Petty Cash on hand, July 1, 1915 .	[illegible]	500.00	[illegible]
Petty Cash on hand, Dec. 31, 1915	[illegible]	3,[illegible]	[illegible]
Goods, July 1, 1915			
Goods received from head office	11,[illegible].00	10,[illegible]	10,[illegible]
[illegible]	[illegible]	4,780.00	[illegible]
Stock, Dec. 31, 1915			

[illegible] these [illegible] should appear in the head office [illegible] accounts.

PROBLEM NO. 197.

(N.Y. C. P. A. Examination)

On January 15, 1896, A of New York sent to B of London, account sales showing net proceeds due February 15, 1896, $17,500, remitted 60 day sight exchange at $4.82 for balance of account.

A had, on November 15, 1895, invested $5,000 in a demand draft, exchange at $4.85, which he remitted to B, and on December 15, 1895, he had further remitted to B a 30 day date draft for 1,759 pounds, 16s.8d., exchange at $483, drawn on C of London, who owed A $9,000 on open account. Interest to be calculated at 6% (360 day basis), London date 12 days subsequent to New York date.

Prepare account current as rendered by A to B; also the accounts of B and C as they appear on A's ledger.

Ref. 1-5.

PROBLEM NO. 197.

([illegible])

On January 15, 1896, A of New York sent to B of London, account sales showing net proceeds due February 15, 1896, [illegible], remitted 60 day sight exchange at [illegible] for balance of account.

A had, on November [illegible], 1895, invested $[illegible],000 in a demand draft, exchange at [illegible].88, which he remitted to B, and on December 15, 1895, he had further remitted to B a 30 day date draft for 1,756 pounds, 16s.3d., exchange at [illegible], drawn on C of London, who owed A $9,000 on open account. Interest to be calculated at 6% (360 day basis), London date 12 days subsequent to New York date.

Prepare account current as rendered by A to B; also the accounts of B and C as they appear on A's ledger.

Ref. 1-5.

PROBLEM NO. 198.

(N.Y. C. P. A. Examination)

A New York firm of bankers, doing a large foreign exchange business which involves numerous transactions daily, desires to change its system of accounting so as to show the profit or loss on exchange at the close of each month. The details of one month's business are as follows:

Sold

£156,742	sterling	at an average rate of	4.89-1/2
263,500	francs	" "	5.12-1/2
189,300	marks	" "	.94

Bought and deposited with paying agencies

£100,000	sterling	at an average rate of	4.85-1/2
250,000	francs	" "	5.15
150,000	marks	" "	.92-1/2

Paid at paying agencies

By the London bank, £95,000 sterling
" Paris " 225,000 francs
" Berlin " 140,000 marks

Describe a convenient method of showing in U. S. money the profit on this one month's business, making the necessary journal entries, and preparing the ledger accounts affected thereby.

Ref. 10-4.

PROBLEM NO. 199.

(N.Y. C. P. A. Examination)

The A. B. Banking Co. of New York borrows £20,000 froms C.D. & Co., London, for 60 days at 4% , money being at 6% in New York. The rate of exchange is 4.87-3/4 when the loan is made and 4.88-1/4 when it is repaid. If the brokerage is 1/32%, cable charges $15, how much is saved or lost by borrowing abroad? (Interest on basis of 360 days to the year.)

Ref. 13.3

PROBLEM NO. 200.

(N.Y. C. P. A. Examination)

A New York company doing business in London, received the following trial balance from its London office at the end of a fiscal year:

TRIAL BALANCE - LONDON BOOKS

Plant,...........................	£100,000	
Accounts receivable,............	75,000	
Accounts payable,...............		£ 35,000
Expenses,.......................	10,000	
Income,.........................		100,000
Merchandise,....................	20,000	
New York office account,........		135,000
Remittance account,.............	60,000	
Cash,...........................	5,000	
	£270,000	£270,000

The New York books showed as follows:

TRIAL BALANCE - NEW YORK BOOKS

Capital stock,..................................		$1,000,000.00
Patents,............................	$ 600,000.00	
London office account,..............	656,100.00	
Remittance account,.................		291,712.50
Expenses,...........................	10,000.00	
Cash,...............................	25,612.50	
	$1,291,712.50	$1,291,712.50

The remittance account consisted of four 60 day drafts on London for £15,000 each, which were sold in New York at 4.85-1/2, 4,86, 4.86-1/2 and 4.86- 3/4 respectively.

Make such journal entires as are necessary to incorporate with the New York accounts the results of the year's business in London (conversion to be made at the average rate of exchange of the four remittances) and establish the new balance of London office accounts so that it will agree with the London books when converted into sterling at 4.87-1/4, the rate of exchange ruling on the last day of the year. Show also trial balance of the New York books after closing.

Ref. 14-5.

(N.Y. C.P.A. Examination)

A company is formed, under the laws of Mexico, to take over and work certain mining properties. At the end of one year the company is found to possess

Mining lands,......................................	$484,675.48
Buildings and improvements,........................	20,499.76
Machinery,...	25,612.88
Cash on hand and in bank,..........................	24,612.50
Silver bullion,....................................	85,209.50
Ore in dump,.......................................	13,680.00
Merchandise,.......................................	5,420.80
Fuel, oil etc.,....................................	679.20
The company owes	
On open accounts,..................................	3,890.12
On account of payrolls,............................	400.00
Note due in six months,with interest at 6%,........	25,000.00
The capital stock (full paid) is,,.................	500,000.00

Set up balance sheet.

As the greater part of the capital invested in the undertaking set forth in problem is furnished by citizens of the State of New York, a corporation is organized under the laws of that state to acquire a majority of the capital stock of the Mexican company and thus to control its affairs. The capital is fixed at $200,000, all of which is subscribed for and paid in at 120. An issue of $200,000 in 20 year 6 per cent gold bonds is authorized and sold at 110. The new company purchases 4,000 shares of the capital stock of the Mexican company, par value $100 per share, Mexican silver at 150. At the end of one year a dividend of 15% is received on these shares. The taxes and expenses of the company are $8,640.

Set up a profit and loss statement and balance sheet, assuming the value of the Mexican dollar to be 50 cents, gold.

Ref. 17-1.

[illegible]

PROBLEM NO. 202.

(N.Y. C.P.A. Examination)

A French merchant having a debt of £ 10,000 to liquidate in London in 45 days, desires to know where it would be the most advantageous for him to purchase English money, in Paris, Amsterdam or Berlin.

The market quotations in the respective places on a certain given date reveal the following:

Paris	Frs.
London paper at sight,........................	25.275 less 6%
Amsterdam paper at 3 mo.,......................	205 and 4%
Berlin paper at 3 mo.,.........................	121-3/4 and 4%
Amsterdam	
Guilders	Disc. in London
12.075 at 2 months,............................	6%
Berlin	
Reischmarks	Disc. in London
20.25 at 3 months,.............................	6%

Prepare the required statement, ignoring all banking charges and selling commissions.

Ref. 35-2.

PROBLEM NO. 203.

(N.Y. C.P.A. Examination)

The following is the trial balance of Oliver and James, Agents, Buffalo branch, December 31, 1912:

New York, office,..................................		$2,500
Accounts receivable,............................	$3,000	
Cash in bank,.....................................	2,500	
Expenses,..	800	
Merchandise account,............................		3,800
	$6,300	$6,300

Inventory $2,000.

From the above data make the journal entries to adjust the New York books.

Ref. 35-3.

PROBLEM NO. 204.

(N.Y. C.P.A. Examination)

William Pitt and John Fox, merchants with offices in Manchester and New York, equally interested in a business venture, decide to dissolve the partnership as at December 31, 1911, at which time their financial position is as follows:

Accounts receivable uncollected,..............	£4,000 =	$19,480
Office furniture on hand,......................	£ 100 =	487
Accounts payable unliquidated,................	£ 900 =	4,383

The accounts had been kept in dual currency.

Pitt acts as liquidator and takes over the business, agreeing to purchase the furniture at a 10 per cent reduction as at January 1, 1912, and to allow on the same date to Fox £600 = $2,922 for his share of the goodwill.

The accounts receivable are collected on the following dates:

April 15/12,...	£1,000 =	$4,870	April 23/12,....	£ 100 =	$ 487
June 10/12,...	£1,600 =	7,792	Oct. 8/12,....	£1,200 =	6,844

The balance is uncollectible and considered lost.

The accounts payable are liquidated in full as follows:

March 11/12,...	£ 100 =	$ 487	April 20/12,....	£ 200 =	$ 974
May 30/12,...	£ 300 =	1,461	Oct. 26/12,....	£ 300 =	1,461

After deduction of the payments made, the net receipts are realized on a certain average date (to be determined) from the date of dissolution.

Pitt advances to Fox £1,000 = $4,870 on March 31, 1912, and pays him the balance on January 1, 1913, with interest at 6% per annum.

Prepare an account current in English currency only (calculating interest at above stated rate) as Pitt shall render to Fox, disclosing the amount due the latter as at January 1, 1913.

Ref. 35-4.

PROBLEM NO. 205

(N.Y. C.P.A. Examination)

Wright, Dunbar & Company, of New York, U. S. A., and Van Allen & Company, of Amsterdam, Holland, bankers and dealers in foreign exchange, enter into a joint venture on January 2, 1914, for the purpose of dealing in foreign exchange.

It is agreed that profits or losses are to be shared equally, that interest on the account current is to be figured at 6% per annum, exact number of days per month, and that guilders at sight are to be calculated at 40-1/4.

The blotter of the New York bankers records the following completed transactions for the joint venture of the first month's operations:

January 10, 1914
Received on a/c from Borton Bros., New York, and sent to Van Allen & Company a/c joint venture, £2,000 on London, due February 10, 1914, at 4.87 sight and 4-1/2%.

January 16, 1914
Received from Van Allen & Company value January 2, 1914, their draft on Wiener Bros., due February 25, 1914, kronen 48,000 on Vienna at 49-1/2 guilders, 2 months, discount 4%.

January 16, 1914
Cable from Van Allen & Company that they have sold for a/c joint venture, value this day, £2,000 on London, due February 10, 1914, at 12 guilders, 2 months, discount 4%.

January 16, 1914
Discounted this day at National City Bank, New York, for a/c joint venture, value January 16, 1914 kronen 48,000 on Vienna, due February 25, 1914, at 20-1/4, 3 months, discount 4%.

January 27, 1914
Received from Van Allen & Company value January 13, 1914, their draft on Charles & Company, in Berlin, due February 13, 1914, Rm. 30,000 at 59 guilders, 2 months, discount 5%.

January 28, 1914
Sold for cash a/c joint venture, value this day, Rm. 30,000 on Berlin, due February 13, 1914, at .95, 3 months, discount 5%.

Prepare as at January 31, 1914:
- (a) A statement showing separately the results of operations as conducted in New York and Amsterdam respectively.
- (b) The ledger accounts of the joint venture and of Van Allen & Company as kept by the New York firm of bankers.

Ref. 36-1.

[illegible]

[illegible] of New York, U. S. A., and [illegible] Allen [illegible] Amsterdam, [illegible] bankers and [illegible] in [illegible] into a joint venture on January 2, 1914, for the [illegible] in foreign exchange.

It is agreed that [illegible] on [illegible] are to be shared equally, [illegible] on the account current is to be figured at the [illegible] number of days per month, and that guilders at [illegible] be calculated at [illegible].

The blotter of the New York bankers records the following completed transactions for the joint venture of the first month [illegible].

January 1[illegible], 1914
Received on a/c from [illegible] Bros., New York, [illegible] to Van Allen & Company a/c joint venture, £[illegible] on London, due February [illegible], 1914, [illegible] and [illegible].

January 1[illegible], 1914
Received from Van Allen & Company value January [illegible] their draft on Vienna [illegible] due February 26, 1914, [illegible] on Vienna at [illegible], 2 months, discount [illegible].

[illegible]
[illegible] from Van Allen & Company that they have [illegible] joint venture, value [illegible] £[illegible],000 on London, [illegible] 1914, at 12 [illegible], 3 months, discount [illegible].

January 25, 1914
Discounted [illegible] National [illegible] Bank, New York, [illegible] joint venture, value January [illegible], 1914 [illegible] 8,000 on Vienna, due February 26, 1914, [illegible] 20-[illegible], 3 months, discount 4%.

[illegible], 1914
Received from Van Allen & Company value January 1[illegible], 1914, their draft on [illegible], [illegible] Berlin, due February [illegible], 1914, Rm. 30,000 at 59 [illegible], 2 months, discount [illegible].

January 28, 1914
Sold for cash a/c joint venture [illegible] Rm. 30,000 on Berlin, due February [illegible], 1914, at .95, 2 months, discount [illegible].

[illegible]

(a) A statement [illegible] the results of operations as conducted in [illegible] when [illegible].
(b) The [illegible] of the joint venture on [illegible] Van Allen & Company [illegible].

[illegible]

PROBLEM NO. 206.

(N.Y. C.P.A. Examination)

A London in current account with B of New York, engages an accountant to prepare a statement, to be mailed to B, from the following data:

1914	DEBITS		
May 12,		£750	
May 30,		117	
June 12,		340	
July 1,		150	
	Total debits,		£1,357
1914	**CREDITS**		
June 10,		£500	
June 30,		300	
	Total credits,		800
Balance,			£ 557

Find the average due date of the account and the interest at 5% to July 1, 365 days to the year.

Ref. 39-6.

PROBLEM NO. 207.

(N.Y. C.P.A. Examination)

A San Francisco corporation builds a plant and established a branch in Glasgow, Scotland. At the expiration of its fiscal period a trial balance is forwarded to the San Francisco office, as follows:

Plant,....................................	£250,000	
Accounts receivable,......................	187,500	
Expenses,.................................	25,000	
Inventory (end of fiscal period),.........	50,000	
Remittance account,.......................	150,000	
Cash,.....................................	12,500	
Accounts payable,.........................		£ 87,500
Income from sales,........................		250,000
San Francisco office,.....................		337,500
	£675,000	£675,000

A trial balance of the San Francisco books at the same date was as follows:

Capital stock,............................		$2,500,000.00
Patents,..................................	$1,500,000.00	
Glasgow account,..........................	1,640,250.00	
Remittance account,.......................		729,281.25
Expenses at San Francisco,................	25,000.00	
Cash,.....................................	64,031.25	
	$3,229,281.25	$3,229,281.25

The remittance Account is composed of four sixty (60) day drafts on Glasgow for £37,500 each, which were sold in San Francisco at $4.85-1/2, $4,86,$4.86-1/2 and $4.86-3/4 respectfully.

Prepare a balance sheet of the San Francisco books after closing and a statement of assets and liabilities of the Glasgow branch reconciled with the San Francisco books. Close the books at rate of exchange on last day of fiscal period $4.87-1/4 (conversion of remittance to be made at the average rate of the four bills).

Ref. 51-4.

[illegible] NO. 207.

(C.P.A. [illegible] Examination)

A [illegible] corporation builds a plant and established a [illegible], Scotland. At the [illegible] of its fiscal [illegible] balance is forwarded to the San Francisco office, [illegible]:

Plant, ...	£250,000	
[illegible] receivable, ...	127,500	
[illegible], ...	25,000	
[illegible] (end of fiscal period), ...	50,000	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]		£ [illegible]
Income from sales, ...		250,000
San Francisco office, ...		[illegible]
		[illegible]

A trial balance of the San Francisco books at the same date was as follows:

Capital stock, ...		$2,500,000.00
Patents, ...	$1,500,000.00	
Glasgow account, ...	1,050,250.00	
Remittance account		74,[illegible]
Expenses at San Francisco, ...	25,000.00	
Cash, ...	[illegible]	
	[illegible]	[illegible]

The Remittance Account is composed of four sixty (60) day [illegible] for £17,500 [illegible] sold in San Francisco [illegible].

Prepare a balance sheet of the San Francisco books after closing and a statement of assets and liabilities of the Glasgow branch reconciled with the San Francisco books. Close the books at rate of exchange on last day of fiscal period $4.87-1/4 (conversion of remittance to be made at the average rate of the year [illegible]).

INVESTMENT ACCOUNTING AND MATHEMATICS.

PROBLEM NO. 208.

(N.Y. C.P.A. Examination)

State the price at which the following bonds must be purchased, so as to net the purchaser 5% on the investment for the first five years, 4% on the investment for the second five years, and 3% on the investment for the last five years:

Bonds	for	$10,000	maturing	in	8	years, earning	4%
"	"	10,000	"	"	12	"	3%
"	"	10,000	"	"	15	"	2%

Show the realization account on the basis of purchase price.

Ref. 6-5.

PROBLEM NO.209.

(N.Y. C.P.A. Examination)

A and B are dealers in bonds and share profits in the proportion of

A seventy-five (75) per cent.
B twenty-five (25) per cent.

A and B engage C to sell bonds, agreeing to pay him a salary equal to twenty-five (25) per cent. of the net profits to be divided between the partners.

During the continuance of C's contract the firm purchases one hundred thousand dollars ($100,000) Waterville Traction Company first mortgage 5% bonds on a 3% basis. The bonds have eighteen (18) months to run, interest payable semi-annually (three interest periods).

The firm holds the Waterville bonds till maturity. Prepare a statement of the Waterville bond accounts, showing cost, interest and amortization.

The total profit to be adjusted is ten thousand dollars ($10,000).

Show the division of this profit.

Ref. 27-2.

PROBLEM NO. 210.

(N.Y. C.P.A. Examination)

An investment bond house purchased 10 New Jersey Traction Company first mortgage 5% bonds at 83-1/2; 10 New Orleans Gas Light and Power Company first mortgage 5% bonds at 1.04 (accrued interest not to be considered).

Prepare the necessary entries to record properly these transactions on the books of the bond house and to facilitate an audit.

Ref. 36-3.

PROBLEM NO. 211.

(N.Y. C.P.A. Examination)

A co-operative assessment association began writing policies in 1909 on the five year endowment plan, the members being entitled to participation in the surplus at the end of said period.

The following certificates of the class maturing in 1914 are in force:

Monthly Assessment	Certificates in Force
.50	10
1.00	360
2.00	1515

The net amount to be distributed is $136,620.60.

Prepare a statement showing the amount of dividend due each certificate.

Ref. 36-6.

[illegible]

[illegible]

[illegible] bond house purchased 10 New Jersey [illegible] 5% bonds at 95-1/2. [illegible] to be considered).

Prepare the [illegible] on the books of the bond house [illegible]

[illegible]

[illegible]

A co-operative [illegible] in 1930 on the [illegible] titled to participate in the surplus [illegible]

The following [illegible] in force:

Monthly [illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]

Prepare a statement [illegible]

[illegible]

PROBLEM NO. 212.

(N.Y. C.P.A. Examination)

On December 31, 1894, Smith, Jones & Company purchased $100,000 of the Swamptown & Northern Railroad Company's first mortgage 4-1/2% bonds for $103,394.43 flat. On June 30, 1896, one half of these bonds were sold for $52,418.55 flat.

Prepare a statement showing the profit made from the sale of the bonds and the interest revenue for the two years ending December 31, 1896, assuming that the interest on the bonds in question was payable semi-annually, January and July 1, and that the price paid for the said bonds was such as to net the investor a nominal rate of 4% per annum, 2% semi-annually.

Also prepare an analysis of the Bond Account on the ledger as it would appear at the close of business December 31, 1896.

Ref. 44-3.

PROBLEM NO. 213.

(N.Y. C.P.A. Examination)

An annuity of $3,600 @ 6% compound interest is to be paid in four equal quarterly payments. Furnish the annuity depreciation account with quarterly balances.

Ref. 47-5.

PROBLEM NO. 214.

(N.Y. C.P.A. Examination)

A trust company assumes the reponsibility of a sinking fund on which it guarantees to pay 3% interest. The trustee receives $103,000 deposited to the credit of the sinking fund and on January 1, 1920, invests on a 3% basis in 100 Pike County Light, Heat and Power Company 5% $1,000 first mortgage gold bonds, due July 1, 1921, interest payable semi-annually.

Prepare the accounts of the trust company, showing the invested amount and the amortization of the premiums at the several interest periods.

Ref.52-2.

PROBLEM NO. 215.

(N.Y. C.P.A. Examination)

The Fairview Building and Loan Association, whose monthly dues were $1 per share, had three series of shares in force at the end of the third year; the number of shares in each series and the value per share were as follows:

First series, 500 shares, value per share	$38.87
Second series, 600 shares, value per share	25.27
Third series, 400 shares, value per share	12.32

A fourth series of 500 shares was issued at the end of the third year. The net profits for the fourth year were $3,000 and the total profits for the four years were $5,325.

Prepare a statement showing the value of a share in each series at the end of the fourth year, and explain your method of precedure.

Ref. 52-6.

PROBLEM NO. [illegible]

([illegible])

The [illegible] Building and Loan Association, [illegible] had three series of shares in force at the end of the third year; the number of shares in each series and the value per share were as follows:

First series, 500 shares, value per share	$38.57
Second series, 600 shares, value per share	25.27
Third series, [illegible] shares, value per share	11.25

A fourth series of 500 shares was issued at the end of the third year. The net profits for the fourth year were $3,000 and the total profits for the four years were $6,325.

Prepare a statement showing the value of a share in each series at the end of the fourth year, and explain your method of procedure.

[illegible]

PROBLEM NO. 216.

(N.Y. C.P.A. Examination)

Henry Smith of Boston and Frederick Wilkins of San Francisco are to render accounts to each other every six months, with interest calculated thereon at 6% (360 days to the year). At the end of the first six months, i.e. June 30, their business relations cease, and the balance due to either is to be paid 30 days thereafter, with interest at 6%. The transactions between them were as follows:

Smith had charged to Wilkins:

Jan. 15	Acceptance, to pay Wilkins' debt to London bankers, due Jan. 31,........................			$ 7,000
Feb. 10	Draft, favor of John Sloane & Co.,Boston	due	Feb. 28	400
Mar. 31	Cash to Wilkins for traveling expenses,.	"	Mar. 31	500
Apr. 12	Samuel Hardy, account collected,........	"	Mar. 31	600
May 14	Net proceeds, account sales, consignment turpentine,........................	"	Aug. 31	2,000
Jun. 26	Note, Hiram Dixon,......................	"	Oct. 31	1,500
				$12,000

Wilkins had charged to Smith:

Jan. 15	Proceeds,account sales, consignment figs	due	Mar. 31	$ 2,000
Feb. 28	Cash, final payment on bonds,...........	"	Feb. 28	600
Mar. 31	Draft,reimbursement,traveling expenses,.	"	Apr. 15	500
Apr. 12	John Jones (bad a/c) one-half Int.in loss	"	Mar. 31	400
May 14	Note for one-fourth interest in tug boat,	"	Aug. 31	1,500
Jun. 28	Acceptance in full settlement, account sales, wines,........................	"	Jul. 31	7,000
				$12,000

Prepare an account current with interest, as rendered by either Henry Smith or Frederick Wilkins, and state separately in alphabetic order the names of the ledger accounts complementary to the accounts of the respective items appearing in the account current: - e.g. if a note of the debtor were credited to his account, the complementary account would be bills receivable.

Ref. 2-3.

PROBLEM NO. 217.

(N.Y. C.P.A. Examination)

A syndicate owning in fee large tracts of timber land makes a contract with a lumber company to sell 1,000,000,000 feet of standing timber, at the rate of $3 per M feet. The lumber company agrees to cut and pay for this timber within a period of six years, and guarantees that the following shall be the minimum amount to be cut and paid for in each of the six years, payments to be made in cash at the end of each six months:

	Minimum guaranteed	Minimum annual payments	When payable	
1st year,...	80,000,000 feet	$ 240,000	June 30	$ 120,000
			Dec. 31	120,000
2nd ",...	90,000,000 "	270,000	June 30	135,000
			Dec. 31	135,000
3rd ",...	100,000,000 "	300,000	June 30	150,000
			Dec. 31	150,000
4th ",...	120,000,000 "	360,000	June 30	180,000
			Dec. 31	180,000
5th ",...	150,000,000 "	450,000	June 30	225,000
			Dec. 31	225,000
6th ",...	200,000,000 "	600,000	June 30	300,000
			Dec. 31	300,000
Total,....	740,000,000 feet	$2,220,000		$2,220,000

The syndicate desiring to anticipate the payments under its contract, applies to its bankers for the cash value of the contract, offering as security the contract itself and a mortgage on the timber land. What is the present worth of the contract, calculated on a 6% basis?

Ref. 12-5.

[B.T. 3.F. - Continued]

[illegible] in the large tracts of timber [illegible] a lumber company to sell 1,000,000,000 feet [illegible] stumpage, at the rate of $3 per M feet. The lumber com- [illegible] to cut and pay for this timber within a period of [illegible] and guaranteed that the following quantities [illegible] to be cut and paid for in each of the six years, payments to be made [illegible] at the end of each six months:

	Quantity guaranteed	Minimum payment	Date payable	
1st year,...	83,000,000 feet	$ 250,000	June 30	$ 125,000
			Dec. 31	[illegible]
2nd " ,...	90,000,000 "	270,000	June 30	[illegible]
			Dec. 31	[illegible]
3rd " ,...	100,000,000 "	300,000	June 30	[illegible]
			Dec. 31	[illegible]
4th " ,...	[illegible] "	[illegible]	June 30	[illegible]
			Dec. 31	[illegible]
5th " ,...	150,000,000 "	[illegible]	June 30	[illegible]
			Dec. 31	[illegible]
6th " ,...	[illegible] "	[illegible]	June 30	[illegible]
			Dec. 31	[illegible]
Total,....	[illegible] feet	[illegible]		[illegible]

The [illegible] these contracts [illegible] the [illegible] fact, [illegible] the timber land. What is the [illegible] of this contract, calculated on a [illegible] basis?

[illegible]

PROBLEM NO. 218.

(N.Y. C.P.A. Examination)

Adams of New York and Lotimer of St Paul each maintain an account current with the other. Settlements to be made semi-annually, by 30 day notes, including interest on the account at 6%. Their transactions for the six months ending June 30, 1915, were as follows:

Adams charges Lotimer:

1915					
January	15,	Acceptance drawn by Lotmier,.	due January	31,	$ 21,000
February	10,	Draft in favor of Hardens bank,......................	due February	28,	1,200
March	31,	Cash,.......................	due March	31,	1,500
April	12,	Draft in favor of Lotimer,...	due March	31,	1,800
May	14,	Net proceeds, Account Sales,..	due August	31,	6,000
June	28,	Note - Smith and Company,....	due October	31,	4,500
					$36,000

Lotimer charges Adams:

1915					
January	15,	Net proceeds, Account sales,	due March	31,	$ 6,000
February	28,	Cash, note of Reynolds,.....	due February	28,	1,800
March	31,	Cash, repayment,...........	due April	15,	1,500
April	12,	Joint Account, one half interest on loss,.........	due March	31,	1,200
May	14,	Acceptance favor Johnson & Company,..................	due August	31,	4,500
June	28,	Account Sales, Wood,........	due July	31,	21,000
					$36,000

Prepare an account current, with interest, as rendered by either party to the other, supplying the credit side of the account and showing the net balance of account at October 31, for which a note should be given.

Ref. 43-2.

[illegible]

PROBLEM NO. 219.

(N.Y..C.P.A. Examination)

A syndicate, owning in fee large tracts of timber, makes a contract of sale with a lumber company for 500,000,000 feet of standing timber, at the rate of $3 per M feet. The lumber company agrees to cut and pay for the timber within a period of four years and guarantees that the following shall be the minimum amount to be cut and paid for in each of the four years, payments to be made in cash at the end of each six months:

	MINIMUM GUARANTEED	MINIMUM ANNUAL PAYMENTS	WHEN PAYABLE	
First year,...	80,000,000 feet	$ 240,000	(Jun.30,...	$ 120,000
			(Dec.31,...	120,000
Second year,..	90,000,000 feet	270,000	(Jun.30,...	135,000
			(Dec.31,...	135,000
Third year,...	100,000,000 feet	300,000	(Jun.30,...	150,000
			(Dec.31,...	150,000
Fourth year,..	120,000,000 feet	360,000	(Jun.30,...	180,000
			(Dec.31,...	180,000
	390,000,000 feet	$1,170,000		$1,170,000

The syndicate, desiring to anticipate the payments under its contract, applies to its bankers for cash value of the contract, offering as security the contract itself and a mortgage on the timber land. What is the present worth of the contract, calculated on a 6% basis?

Ref. 43-4.

PROBLEM NO. 220.

(N.Y. C.P.A. Examination)

A company of bicycle manufacturers makes up its accounts December 31, 1896, for the year. The following are the debits to the profit and loss account:

Raw material on hand January 1, 1896,....................	$12,500
Finished machines on hand January 1, 1896: 1600 wheels @ $30,..	48,000
Purchases of material,..................................	62,500
Labor, productive,......................................	82,500
Manufacturing expenses: Coal, repairs, paint, varnish, superintendent's salaries, unproductive labor and sundry other expenses,.................................	23,000
Agents' commissions,....................................	90,000
Branch expenses, rents, salaries and miscellaneous,......	40,000
Selling expenses: Travelers' salaries, discounts, rebates and miscellaneous,....................................	30,000
Bad debts,..	8,000
Depreciation of machinery and plant,....................	5,500

The sales for the year were 6,000 wheels, yielding $540,000; the raw material on hand December 31, 1896, taken at cost was $4,000, and the finished wheels in stock ready for sale numbered 800. Prepare an account from the above, showing (a) number of wheels manufactured, (b) the cost per wheel, (c) the gross manufacturing profit, (d) the final net result, including in the profit and loss account the stock of finished wheels on hand December 21 at their cost as shown by the accounts.

Ref. 3-5

PROBLEM NO. 331.

(N.Y. C.P.A. Examination)

A manufacturing company after erecting and equipping its factory, placing orders for materials and hiring a working force of skilled mechanics, commences operations. In addition to the financial accounts, arrangements have been made to conduct cost accounts from the outset and the current details thereof grouped under Account titles and collated upon "forms" show the following activities:

Form I	Receiving Sheet	
	Raw materials received into storeroom	7,701.37
" II	Consumption sheet - materials	
	Raw materials consumed	6,651.69
" III	Consumption sheet - manufacturing	
	Partly made goods consumed, combining values of materials	3,225.82
	and of labor	3,106.26
	Previously expended, and to which further materials and labor value were added.	
" IV	Production sheet	
	Manufactured product, combining values of material	9,877.51
	and of labor	13,127.13
	As per manufacturing reports, discharging requisitions, collated on forms II and III.	
" V	Cost Sheet	
	Finished wares transferred from factory to warerooms, carrying prime cost of materials	5,890.69
	and of labor	8,875.04
	Adding further to the material cost \$353.44 and \$828.69, and to the labor cost \$1,331.26 and \$1,775 for factory expenses respectively in each instance.	
" VI	Disposition sheet	
	Total cost of finished wares sold	14,827.84
	Proceeds of sales	17,145.40

The register of manufacturing reports shows total application of direct labor to cost in the amount of \$10,020.87 and the payrolls show expenditure for labor in the amount of \$10,466.16.

Only requisitions discharged by manufacturing reports are collated on the Consumption Sheets for credit to accounts in the Materials and Manufacturing Ledgers.

The medium for posting the charges and offsetting credits to manufacturing accounts and for posting the credits to materials accounts is the Consumption Journal.

The medium for posting the charges to finished wares accounts and the offsetting credits to manufacturing accounts is the Cost Journal.

All materials, manufacturing and finished wares accounts carry units and price in each specific account, but only aggregates or controlling accounts are here dealt with.

Frame consumption Journal and Cost Journal entries. Show the subjects and amounts of charges and credits to the several ledgers in the cost system, also the charges and credits to General Ledger Accounts from data developed by the Cost Records.

Ref. 23-4

PROBLEM NO. 222.

(N.Y. C.P.A. Examination)

A corporation's inventory on Jan. 2, 1909 was:

Raw materials,..	$32,467.18
Goods in process,.....................................	4,212.22
Plant,..	18,673.18
Made up goods,..	19,753.47

The corporation suffered a fire loss on May 1, 1909; the interim transactions affecting merchandising, manufacturing and plant were as follows:

Purchases raw materials,..............................	$46,375.22
Productive labor paid out,............................	21,618.06
Manufacturing expenses,...............................	5,167.20
Rent of show room and offices,........................	400.00
Selling expenses,.....................................	7,618.25
Advertising,..	360.22
General expenses,.....................................	2,561.12
Sales,..	95,714.66
Allowances to customers,..............................	310.18
Returns of customers,.................................	2,167.29
Plant purchases,......................................	361.22

[illegible] for recording the charges and distributing credits to manufacturing accounts and for posting the credits to inventory accounts is the Consumption Journal.

The medium for posting the charges to finishing goods accounts and the [illegible] credits to [illegible] is the Cost Journal.

All materials, manufacturing, and finished goods accounts carry units and prices in each specific account, but only aggregate or controlling accounts are here dealt with.

Frame consumption Journal and Cost Journal entries. Post the subjects and amounts of charges and credits to the general ledgers in the cost system. Also post charges and credits to general ledger accounts from data developed by the Cost Records.

[illegible]

[illegible] (Examination)

A corporation's inventory on Jan. 1, [illegible] was:

Raw materials	$32,[illegible]
Goods in process	[illegible]
[illegible]	[illegible]
Made up goods	[illegible]

The corporation suffered a fire loss on May 1, [illegible]; the interim transactions affecting [illegible] and manufacturing were:

[illegible] raw materials	34,[illegible]
Productive labor paid [illegible]	21,3[illegible]
[illegible] expenses	5,1[illegible]
Rent [illegible] room and offices	100.00
Selling expenses	[illegible]
[illegible]	[illegible]
General expenses	[illegible]
Sales	60,14[illegible]
Allowances on [illegible]	[illegible]
Returns of materials	2,3[illegible]
Plant purchased	[illegible]

The figures ascertained for the years 1906, 1907 and 1908, for the identical items, were as follows:

	1906	1907	1908
Purchases raw materials,......	$186,320.16	$104,360.22	$157,316.20
Productive labor paid out,....	90,322.24	61,212.06	72,106.14
Manufacturing expenses,.......	20,163.12	16,208.17	20,216.23
Rent of show room and offices.	1,500.00	1,200.00	1,200.00
Advertising,.................	1,000.00	750.00	1,000.00
Selling expenses,............	28,672.18	16,314.12	22,312.18
General expenses,............	10,750.16	9,746.22	11,116.20
Sales,.......................	386,924.12	217,306.01	321,672.18
Allowances to customers,......	1,116.24	3,605.75	975.00
Returns of customers,.........	8,614.08	4,106.18	3,167.22
Plant purchases,.............	500.00	540.22	409.00
Inventories beginning of year			
Raw materials,................	39,223.16	31,316.20	33,416.20
Goods in process,............	6,104.12	3,107.12	3,726.18
Made up goods................	21,223.10	17,306.29	18,622.12
Plant,.......................	17,223.96	17,723.96	18,264.18

You are employed by the assurers: all policies concur under the 80% coinsurance clause and the insured claims his loss is 42-1/2% of the prime cost of his goods and value of his machinery at time of the fire; the percentage claim is adjusted at that figure. The amount of insurance in force was as follows: on merchandise stock, $40,000; on plant $12,500.

Prepare requisite statements showing the value of the assets destroyed.

Ref. 30-2

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

PROBLEM NO. 323.

(N.Y. C.P.A. Examination)

The Allen Automobile Co. assembles cars on orders only. The following is a synopsis of its factory activities for a given period:

Parts purchased,....................................	$ 65,000
Parts manufactured (material cost),..................	225,000
Productive labor (125 per cent of materials),..........	281,250
Factory expense,.....................................	451,200
Cost of cars:	
Parts purchased consumed,............................	55,000
Parts manufactured (material cost),,..................	75,000
Productive labor (145 per cent of material),.........	188,500
Factory expense,.....................................	226,200
Material on hand, unmanufactured,....................	200,000

Create a technical trial balance of the cost ledger and an inventory of the stock room.

Ref. 35-1

PROBLEM NO. 224.

(N.Y. C.P.A. Examination)

On January 1, 1914, The Arlington Company's records show the following condition of its accounts:

Inventory of raw materials, $46,864.26; accrued factory pay-roll, applied and distributed, $2,495.34; goods in process at prime cost, $191,665.32; the further value of $24,111.51 for the factory overhead, also $36,224.76 to cover superintendence; finished goods in stock show a total cost of $64,968.03.

During the period from January 1 to December 31, 1914, purchases of raw materials amounted to $241,249.35; factory pay-rolls, $377,381.70; superintendence, $114,300; factory expenses, including wages not applied to cost accounts, $74,538; interest paid on notes, $3,300; dividends received, $15,012.

During the period mentioned, the operations in the factory comprised: raw materials requisitioned for sonsumption, $239,461.02; wages applied and distributed to manufacturing cost, $360,751.20; and to factory expenses, $17,878.17, included in the sum stated in the paragraph above.

There were also forwarded from the factory to the warehouse, finished goods at prime cost, covering materials, $235,627.74, and labor, $355,001.25. The cost of goods sold during the year was $755,849.70, and the proceeds from goods sold, $907,019.64.

On December 31, 1914, the goods in process included, in addition to prime cost, factory overhead amounting to $25,317.06, and superintendence, $38,035.98, and accrued factory pay-roll, applied and distributed, amounting to $3,743.01.

Show the cost controlling accounts as they would appear in the general ledger, their operation, and the resulting net profit.

Ref. 37-6

PROBLEM NO. 225.

(N.Y. C.P.A. Examination)

The factory of an automobile company assembles its cars only on receipt of orders from the main office. A summary of the factory operations for a certain period is as follows:

Parts purchased,	$162,500
Parts manufactured (material cost),	562,500
Productive labor (125% of material),	703,125
Factory expense,	1,128,000
Cost of cars:	
Parts purchase, consumed,	137,500
Parts manufactured (material cost),	187,500
Productive labor (145% of material),	471,250
Factory expense,	565,500
Material on hand, unmanufactured,	500,000

Prepare a technical trial balance of the cost ledger and an inventory of the stock room.

Ref. 40-4

PROBLEM NO. 226.

(N.Y. C.P.A. Examination)

A firm manufacturing cloaks, that was insured against burglary, claims to have been robbed on the night of Sept. 10. The proof of loss, filed by the assured, contained two items; A, 600 cloaks $12,000; B, silk, 1,000 yards, $1,500. On Jan. 1 an inventory had been taken of stock on hand consisting of cloaks, cloth and silk amounting to $118,500, the particulars of which were lost or destroyed.

An analysis of the firm's books showed the following:
Purchases of cloth 37,500 yards at $1
Purchases of silk 10,000 yards at $2
6,000 cloaks were manufactured consuming cloth 40,000 yards at $1
silk 10,000 yards at $2
9,000 cloaks were sold between Jan. 1 and Sept. 10

Cost of sales, per cloak, for material,	$10	
Cost of sales, per cloak, for labor and sundried,	7	$17

Inventory Sept. 11,	2,500 cloaks,	$17
	12,500 yards cloth at,	1
	5,000 yards silk at,	2

Prepare a report proving or disproving the claim.

Ref. 42-3

PROBLEM NO. 227.

(N.Y. C.P.A. Examination)

A manufacturing corporation operating a system of cost accounts, presents the following data, relating to production as at Jan. 1, 1915; raw materials in storeroom $31,242.84; factory pay roll applied and distributed but not paid, 4 days, $1,663.56; goods in process at prime cost $127,776.88; in addition, factory overhead $16,074.34; management expenses, $24,149.84; finished product in stock $43,312.02.

The financial operations during the year comprehend; purchases of raw material $160,832.90; factory pay rolls $251,587.80; factory expenses, including wages not applied to cost accounts, $49,692; management expenses $76,200.

The manufacturing operations comprehend: raw materials issued on requisitions for consumption $159,640.68; wages applied and distributed to cost of manufacturing $240,500.80 and to factory expenses $11,918.78, including the sum stated in the preceding paragraph.

Finished goods transferred from factory to ware rooms at prime cost; materials $157,085.16 and labor $236,667.50.

At the close of the year the goods in process included, in addition to prime cost, factory expenses $16,878.04, management expenses $25,353.32 and factory pay roll for four days amounting to $2,495.34, which has been applied and distributed, though not due.

The percentage of overhead charged to finished goods is to correspond with that of the previous year.

Prepare in detail the accounts of the cost ledger.

Ref. 42-6

PROBLEM NO. [illegible]

(C.P.A. [illegible] Examination)

A manufacturing corporation operating [illegible] of costs the records, presents the following data, relating [illegible] production in the [illegible] but not paid, [illegible]; work in process at prime cost [illegible]; in addition, factory [illegible]; finished product in stock [illegible].

The financial operations during the year comprised: [illegible] of raw material [illegible], factory pay rolls [illegible], factory expense, [illegible] not applied to cost [illegible]; [illegible] expense [illegible].

[illegible]

[illegible]

At the close of the year [illegible]

The [illegible]

[illegible]

(N.Y. C.P.A. Examination)

The books of a manufacturing concern, operating under a system of cost accounts, show the following conditions at the opening of the fiscal year: raw materials in stroeroom $15,621.42; factory pay roll applied and distributed but not paid, 2 days $831.78; partly manufactured goods, at prime cost, $63,888.44, and the further value of $8,037.17, to cover factory burden, also $12,074.92 to cover management charges; finished wares in stock at total cost of $21,656,01.

The financial operations during the ensuing year include: purchases of raw material $80,416.45; factory pay rolls $125,793.90; factory expense, including wages not applied to cost accounts, $24,846; management expenses $38,100; interest paid on loans $1,200; income from investments $5,004.

The manufacturing operations during the same year comprehended: raw materials issued on requisition for consumption $79,820.34; wages, applied and distributed to manufacturing cost $120,250.40 and to factory expenses $5,959.39 included in the sum stated in preceding paragraph.

Finished goods transferred from factory to warerooms, at prime cost, covering materials $78,542.58 and labor $118,333.75.

The trading operations during the same year comprehend: cost of goods sold $251,949.90; proceeds from goods sold $302,339.88.

At the close of the year the partly completed goods included, in addition to prime cost, the further elements of value to cover factory and management expenses in the amounts respectively of $8,439.02 and $12,678.66 and the factory pay roll for three days, amounting to $1,247.67 which has been applied and distributed, though not due till the close of the current work.

The basis of the apportionment of On Cost or Overhead Charges was as follows: factory expense 20% to materials and 80% to labor; management expenses 30% to materials and 70% to labor.

The transactions of the previous year in round amounts were used in calculating the current year's apportionments, viz.: materials $75,000; labor $115,000; factory expense $24,000; management expense $36,000.

Open the general ledger accounts that control the cost accounts; show the operation of each and the net profits resulting; also calculate the percentage to be added to each $1 of material and of labor to give the total cost.

Ref. 45-1

PROBLEM NO. 229.

(N.Y. C.P.A. Examination)

The cost books of Factory A, the product of which is charged to the main office of the X Y Z Company at factory cost, show the following facts as at January 1, 1910:

Cash (imprest fund) $500; raw materials $17,688.51; wages unpaid but distributed to cost $2,348.67; goods in process, at prime cost $62,258.61, plus $11,352.75 for general expenses and $9,007.50 for management charges; finished goods $45,290.20.

The invoices for purchases of raw materials for the year amounted to $78,375.65; wages paid $133,041.27; management charges $53,695; factory expenses $36,967.08. The cash received for one year's rent of loft was $1,200, and for sale of 11 months' power $330, the twelfth month being unpaid.

The raw materials consumed during the period amounted to $64,188.33; management charges distributed $55,761.90; factory expenses distributed to costs amounted to $43,033.23. There was also a loss on machinery replacements of $107.50.

The output for the year of finished product amounted to $324,583.43, including all costs, while the transfers to the main office were $338,297.90.

At the close of the period December 31, 1910, there remained unpaid, and undistributed to goods in process, the regular factory pay roll for 3 days amounting to $2,857.93, and also 1500 hours of operatives' overtime at the rate of 45 cents per hour, payable on a basis of 2-1/2 hours overtime as the equivalent of 3-1/2 hours regular time.

Raise all the ledger accounts affected and show final trial balance.

Ref. 48-3

PROBLEM NO. 230.

(N.Y. C.P.A. Examination)

From the following figures of net sales, costs and expenses prepare a statement accounting for the shrinkage in profits in 1921 and showing in dollars and cents what portion of such shrinkage is due to decreased sales and what portion is occasioned by the several variations in cost and expense items:

	1921	1922
Materials--------------	$ 230,500.	265,335.
Direct labor-----------	78,500.	108,228.75
Indirect labor----------	6,725.	8,379.
Factory expenses-------	27,500.	26,999.
Trading expenses-------	23,500.	20,947.50
Office expenses--------	10,500.	11,637.50
NET SALES---	390,750.	465,500.00

Ref. 52-3

PROBLEM NO. 231.

(N.Y. C.P.A. Examination)

A fire in the office of a firm of traders partly destroyed the books of account which had been fully posted in anticipation of proving their correctness. The following ledger accounts were found to be legible:

Purchases net,....................	$23,000
Cash discounts lost,.............	320
Cash discounts gained,...........	1,150
Sales net,........................	18,000
Bills receivable,.................	11,000
Upon inquiry the bank balance was ascertained to be,.............	43,000
Bills receivable had been discounted at the bank, amounting to,...........................	15,000
An inspection of the checks paid by the bank showed amount paid creditors, including $20,000 notes payable,.................	33,000

A balance sheet prepared at the last closing of the books, which contained the following items, was produced by one of the partners:

Cash,............................	$20,000
Accounts receivable,.............	42,000
Loans receivable,................	8,000
Real estate,.....................	30,000
Notes receivable,................	14,000
Accounts payable,................	10,000
Notes payable,...................	20,000
Mortgages payable,...............	12,000
Inventory,.......................	12,000
Capital,.........................	84,000

The firm stated that the real estate, loans receivable and mortgages payable remained as shown in the balance sheet.
The inventory of goods in storage amounted to $15,000.

With this information open a new set of books showing the position of the firm at the time of the fire.

Ref. 48-5

PROBLEM NO. 232.

(N.Y. C.P.A. Examination)

A woolen manufacturer operated his mill during a strike period extending from January 4, 1917 to June 8, 1917. The losses sustained by him during this period are to be compensated for by a Manufacturers Association. The parties agreed to the following:

The mill has 80 looms but the percentage of loss is to be based on a standard of 60 looms, and only 75% of the looms which were operated are to be considered, in the adjustment of the loss, as having been in operation. The remaining looms are the basis for compensation.

Fixed charges were $29,263 per annum. A further loss of $4,112.45 occurred by reason of excess charges paid on loom labor and there was a loss of materials from theft and carelessness of strike breakers amounting to $500.

The total productive loom hours accomplished were 43,064. The maximum hours per loom were 1200. TThe normal production, at mill cost, would be $119,203.47. Five per cent on actual loss of production was also to be paid.

Prepare a statement showing what the manufacturer is entitled to.

Ref. 52-4

PROBLEM NO. 233.

(N.Y. C.P.A. Examination)

John Brown lost his stock of merchandise May 1, 1921, through flood in the Mississippi River.

Brown applied to the local Mutual Flood Insurance Society for reimbursements, claiming a loss of $5,886.35 on merchandise stock. From the following data ascertain his merchandise inventory:

Net profits, May 1, 1921, $4,452.91; drawings $1,598; legal expenses $17.50; interest debit $313; advertising $14; commissions debit $961.01; insurance $196.23; sales $81,688.04; inventory December, 1918, $1,568.62; purchases $55,415.82; labor productive $19,499.58; telephone $416.06; sundry factory expenses $3,201.92; repairs $16; surplus May 1, 1921, $2,854.91.

Ref. 52-5

MUNICIPAL ACCOUNTING

PROBLEM NO. 234.

(N.Y. C.P.A. Examination)

A village levies a tax for general purposes and through the proper officials collects the amounts and disburses the funds collected.

The Consummers' Electric Light & Power Company located in the village furnishes light and power for public and private purposes.

State the particular class or division of accounting of which each of the foregoing cases is a type.

Contrast the books and accounts kept by the village officials and the lighting corporation as to (a) purpose in keeping, (b) advantage in keeping, (c) facts sought to be shown.

Rule a page (or folio) of each principal book of original entry and make at least two sample entries in each such book.

Ref. 16-3

PROBLEM NO. 235.

(N.Y. C.P.A. Examination)

Nassau county undertakes two public improvements, viz. a road estimated to cost $50,000 and a sewer estimated to cost $40,000.

The work is to be paid for out of proceeds of county bonds falling due at various dates and redeemable from assessments levied against property presumably benefited, to the amount of the actual cost of the work and incidental charges when these are determined.

Bonds to the above amounts are sold realizing a premium of 1 per cent which is added to the funds. The cost of the two undertakings when completed is $50,000 and $40,500 respectively for which assessments are levied.

Assessments are collected as follows: for roads $30,200, with interest of $1,310; for sewers $29,400, with interest of $1,250. The interest in each case goes to the funds.

Road bonds par value $20,000 and sewer bonds par value $15,000 mature and are redeemed.

Prepare a statement of the transactions from which the status of the county debt, as well as of the funds and assessments at the conclusion of the above transaction, could be ascertained.

Ref. 51-5

PROBLEM NO. 236

(N.Y. C.P.A. Examination)

From the following trial balance of a small railway company, make up a condensed balance sheet, an income account and a profit and loss account:

Capital stock, common,...........................		$1,153,000.00
Capital stock, preferred,.........................		142,200.00
Capital stock preferred scrip,..................		5,450.00
First mortgage bonds,............................		1,332,000.00
Cost of road and equipment,.......	$2,659,252.32	
Cash,..............................	2,452.56	
Bills payable,....................		20,321.86
Accounts payable,.................		6,331.78
Agents and conductors,............	1,708.80	
Individuals and companies,........		67,187.24
Foreign companies' mileage,.......		87.12
Foreign companies' tickets,.......		196.36
U.S.P.O. department,..............	771.34	
Blank express company,............	916.36	
Agents' drafts on treasurer,......		145.94
Prepaid advances for other lines,.		.32
Back charges,.....................	18.36	
Overcharges, on freight,..........	19.84	
Car mileage balance,..............		99.88
Southwestern railway company,.....		734.90
Earnings, passenger,..............		8,135.84
Earnings, freight,................		11,386.78
Earnings, mail,...................		1,546.96
Earnings, express,................		3,494.52
Operating expenses,...............	20,771.10	
Interline freight account accrued.	.54	
Interline ticket account accrued,.		359.76
Taxes,............................	1,184.00	
Interest on bonds,................	111,000.00	
Interest and discount,............	194.78	
Insurance paid in advance,........	123.98	
Taxes paid in advance,............	2,253.50	
Profit and loss,..................	20,013.78	
Coupons due and unpaid,...........		68,002.00
Total,................	$2,820,681.26	$2,820,681.26

Ref. 5-3

(N.Y. C.P.A. Examination)

From the following trial balance taken after closing the general ledger of a railway company June 30, 1910, and from the notations found below, prepare a general balance sheet that will meet the requirements of the Interstate Commerce Commission:

Cash deposited at interest	$100,000	Loans payable,......	$400,000
Cash deposited not at interest,................	55,000	Traffic and car service balances,.	171,400
Working funds,..........(1)	15,000	Audited vouchers unpaid,...........	275,000
Cash in transit,..........	10,000	Wages unpaid,.......	55,000
Agents' and conductors balances,...............	30,000	Interest & Rents accrued,..........	139,500
Traffic and car service balances,...............	172,000	Other acc'ts payable	79,800
Other acc'ts receivable,..	22,000	Taxes accrued,......	20,000
Investments,...........(2)	950,000	Capital stock authorauized preferred,...	3,000,000
Insurance fund,...........	92,000	Capital stock authorized, common,.....	7,000,000
Deposits to insure performance of contracts,..	30,000	General mortgage bonds authorized,.	5,000,000
Road and equipment,....(3)	15,000,000	Equipment trust certificates authorized,............	2,000,000
Other real estate,.....(4)	1,000,000	Reserve for deprecia-depreciation road and equipment,....	2,300,000
Materials and supplies,...	325,000	Reserve for general mortgage bonds,...	600,000
Accrued interest and rentals,................	130,800	Reserve for claims and injuries,.....	60,000
Discount on bonded indebtedness,................	52,000	Reserve for contingencies,..........	40,000
Equipment trust certificates sold,..........(5)	65,000	Profit and loss surplus,..........	1262,600
Equipment trust certificates unissued,.........	1,235,000		
General mortgage bonds unissued,................	1,500,000		
Capital stock unissued, common,................	1,000,000		
claims in process of collection,...............	20,000		
Cash and securities in redemption fund,.........	600,000		
	$22,403,800		$22,403,800

(1) Advanced to general and special agents, officers and employees, for expenses.

(2) Stocks of steamship and transportation lines not in the system: pledged to secure loans payable $650,000; unpledged $300,000.

[illegible]

(1) [illegible]
employees, [illegible]
(2) [illegible]
[illegible] plotted [illegible]

(3) Prior to June 30, 1907: road $9,000,000; equipment $3,000,000. Subsequent to June 30, 1907: road $1,800,000; equipment $800,000; general expenditures $400,000.

(4) Not used in operation of the road.

(5) Deposited with trustee pending delivery to the railway of that portion of the equipment for which the proceeds of these certificates are to pay.

(6) Created by charges to operating expenses.

Ref. 48-1.

PROBLEM NO. 238

(From Examination Given by the American Institute of Accountants.)

A machine costing \$81.00 is estimated to have a life of four years, with a residual value of \$16.00. Prepare a statement showing the annual charge for depreciation according to each of the following methods:

(a) Straight line

(b) Constant percentage of diminishing value.

(c) Annuity method.

(For convenience in arithmetical calculation assume the rate of interest to be 10%).

Discuss the significance of each of the methods.

PROBLEM NO. 239

(N.Y. C.P.A. Examination)

Prepare a ruling for a consignment stock ledger, to provide for the following: (a) entry of consignment invoice inward, containing three distinct lots of goods, (b) resume of account sales, showing gross proceeds, usual charges, and net proceeds, (c) disposition of goods to various pruchasers, stating terms, quantities, and values sold, (d) subsequent return of goods, brokerages, cartages, allowances and discounts, breakages, etc. for value and quantity as applied to each sale, (e) date and folio columns referring to other books from which each entry is made. Make sample entries.

Ref. 2-5.

PROBLEM NO. 240.

(N.Y. C.P.A. Examination)

On January 1 the Fairview Real Estate association was incorporated, the capital subscribed and paid in being $30,000, divided into 30 shares. The association purchased improved property for speculative purposes, paying cash $30,000 and giving a first mortgage for $60,000 at 6%.

The association organizes and incorporates on the same day the Fairview club, with 30 proprietary members (being the stockholders of the real estate association) and 30 associate members who have no proprietary interest, but enjoy all privileges without incurring any of the liabilities. The annual dues are $100 a year, paid by all in advance.

The association leases to the club the property aforesaid, the consideration, in lieu of rent, being the payment by the club of all sums for taxes, betterments, interest, fixtures, furniture, etc.

The proprietary members are assessed $300 each, and by a subsequent resolution of the association are to receive credit therefor, with interest at 6%. Five members fail to pay the assessment.

The association having executed a contract for the sale of the property for $110,000, the club disbands at the end of the year.

The club expenditures for the year were as follows: taxes $1,800; interest on mortgage $3,600; repairs $1,000; improvements $3,000; furniture and fixtures $2,000; general expenses $500; help (sundry employees) $1,600.

There were house charges against the members, $500, which were subsequently collected; and there were payable book debts of $4,00. A second assessment of $100, called for to pay off the club debts, was paid by the proprietary members of the association.

Frame journal entries, raise and close accounts on the association and the club books, and prepare balance sheet and revenue account for each.

Ref. 2-6.

(N.Y. C.P.A. Examination)

On February 1, 1894, William S. Brown & Co. shipped from Worchester, Mass., by the N.Y., N.H. & H.R.R., 500 lbs. of merchandise to Henry R. Smith, Jacksonville, Fla., routed by the N.Y., N.H. & H. to New York, by the Ocean steamship company to Savannah, and by the Savannah, Fla. & West. to Jacksonville, the freight charges to be collected of consignee.

On February 10, William S. Brown & Co. sent to H. T. Jones, the commercial agent of the Ocean steamship company, located in Boston, Mass., a check for $37.80 with the request that he change billing to prepay the freight on their shipment of February 1, to Jacksonville, Fla. Mr. Jones accepted the $37.80, and issued a prepaid bill of lading to cover the amount, wiring the New York agent of the Ocean steamship company to correct billing accordingly.

In the meantime, however, the goods had been received from the N.Y., N.H. & H., and forwarded by the steamship company collect, and it was impossible to make the correction.

William S. Brown & Co. forwarded the prepaid bill of lading, which they received from Mr. Jones, to the consignee, who insisted on the protection of the same.

Explain fully how this transaction should be handled, giving in detail the manner in which all the corrections in the various accounts should be made, tracing the transaction through the delivering agent, the claim department, the auditor's office and the forwarding agent, and also covering the collection of the money by the proper company from the commercial agent at Boston.

Ref. 3-6.

[illegible]

[illegible] to [illegible] of [illegible] to Indianapolis, [illegible] of [illegible].

[illegible] in Indianapolis, [illegible] [illegible] Company [illegible].

In the meantime, however, the proof had been received from the [illegible] and [illegible] by the [illegible], and it was [illegible] the publication.

William B. Burford & Co. forwarded the bill of [illegible], which [illegible] Mr. [illegible], [illegible] the [illegible] on the [illegible] of the same.

[illegible] this [illegible] should be [illegible] [illegible] which all the [illegible] the [illegible] [illegible] the [illegible] [illegible] [illegible] the [illegible] [illegible] [illegible].

[illegible]

[illegible]

PROBLEM NO. 242.

(N.Y. C.P.A. Examination)

The New York steamship company issued income debentures for $500,000, the deed of trust providing that an amount equal to 5% of the total issue be set aside out of the earnings of the company each year for the retirement of the bonds.

December 31, 1900, the assets of the company amounted to $1,200,000, the capital stock to $500,000, other liabilities $100,000, profits for the year $70,000.

The company received $30,000 from the government for transportation of troops during time of war, which amount did not appear on the books as an asset, the cost of transporting the troops having been charged to profit and loss account in prior years.

Explain by journal entries (a) how the redemption fund for the retirement of the income debentures should be treated, (b) how the income of $30,000 for transportation should be treated in order to show its availability for distribution among the debenture holders, without interfering with a correct showing of the earnings of the company.

Ref. 11-4.

[illegible]

([illegible])

The [illegible] York steamship company issued income debentures for [illegible] ... of trust providing that an amount equal to [illegible] be set aside out of the earnings of the company [illegible] retirement of the bonds.

[illegible] 31, 1900, the records of the company assumed to [illegible]. The capital amounted to $500,000 [illegible]

The company received $30,000 from the government for transportation of troops during time of war, which amount did not appear on the books as an income, the cost of transportation [illegible]

Explain by journal entries (a) how the retirement fund for the retirement of the income debentures should be created, (b) how the income of $30,000 from transportation should be treated in order to show its availability for distribution among the debenture holders, without interfering with the [illegible] of the earnings of the company.

([illegible], II-4)

PROBLEM NO. 243.

(N.Y. C.P.A. Examination)

A certain firm decides to transfer its business to a corporation and wishes to have its annual net earning capacity based on the results of the three years ending December 31, 1901. The firm prepares a statement from its books as set forth below and calls in a certified public accountant to verify it. On examination the accountant finds the statement correct according to the books, but in his opinion the amount charged for depreciation is insufficient by $2,000 a year.

PROFIT AND LOSS ACCOUNT FOR THREE YEARS

Dr.	1899	1900	1901
Salaries and commission,............	$ 45,327	$ 47,395	$ 51,294
Wages (other than manufacturing),....	5,735	6,824	7,241
Rent,.............................	10,000	10,000	11,500
Taxes,............................	2,300	2,300	2,450
Insurance,........................	1,500	1,500	1,575
Travelers,........................	24,296	29,825	31,247
Partner's salaries,...............	10,000	10,000	10,000
Depreciation, fixtures,...........	1,026	1,074	1,523
Depreciation, plant,..............	3,150	3,276	3,427
Printing and stationery,..........	3,274	3,542	3,764
Expenses, home office,............	20,212	21,006	21,325
Expenses, branch offices,.........	1,073	1,121	1,304
Expenses, general,................	9,463	9,721	10,426
Interest on partners' accounts,......	5,327	5,431	5,753
Other interest,...................	5,601	5,723	5,948
Wagons and horses,................	5,270	5,400	5,591
Packing,..........................	3,194	3,276	3,542
Freight,..........................	1,227	1,246	1,274
Donations,........................	570	592	613
Bad debts,........................	5,271	5,623	5,470
Net profit,.......................	52,601	53,741	62,748
Total,....................	$216,417	$228,616	$248,015
Cr.			
Gross profit. Total,...............	$216,417	$288,616	$248,015

Adjust the profit and loss account so as to show the net earning capacity for each of the three years, and draft a suitable certificate to accompany the propectus or statement rendered by the firm.

Ref. 12-6.

PROBLEM NO. 244

(N.Y. C.P.A. Examination)

The following statement comprise the trial balances of a business at the beginning and the end of a fiscal period, together with the volume of the transactions during said period:

	Trial Balance January 1,		Interim Transactions		Trial Balance December 31,	
1 Cash,............	$ 1,115		$24,696	$24,696	$ 1,360	
2 Merchandise,.....	5,050		17,665	26,874		$ 4,159
3 Debtors,.........	3,110		25,135	24,229	4,016	
4 Fixtures,........	2,800		505		3,505	
5 Creditors,.......		$ 1,575	18,922	19,410		2,063
6 Loan (Int. pd. $6),...........		500		1,000		1,500
7 Capital,.........		10,000				10,000
8 Int.and discount,			693	360	333	
9 Rent,............			900		900	
10 Insurance,.......			50		50	
11 Salaries,........			1,820		1,820	
12 Advertising,.....			900		900	
13 Carting,.........			1,705		1,705	
14 Expense,.........			1,333		1,333	
15 Drawing, proprietor,.......			2,000		2,000	
	$12,075	$12,075	$96,569	$96,569	$17,722	$17,722

a The sales book shows sales posted to debtors to the amount of $25,135.

b The journal shows allowances to debtors for returns of mdse. sales $1,015 and claims on creditors for returns of mdse. purchases $230, also application of debtor's balance to settle creditor's account in the amount of $9,500, both accounts being in the name of the same correspondent.

c The ledger shows that the nominal accounts entitled Rent, Insurance and Office Salaries contain only cash charges, while the nominal accounts entitled Advertising, Cartage, and Expense show cash charges in the total amounts of $100, $200, and $773 respectively, all other charges therein being by invoice duly posted to creditors' accounts.

d The Merchandise account shows cash charges of $610 and cash credits of $1,509 for cash purchases and cash sales repectively.

e The invoice books shows invoices posted to creditors' accounts to the amount of $19,410.

From the foregoing statement of facts write the several accounts displayed in the trial balance, showing the elements composing each account stated according to the titles of the accounts complementary thereto.

Ref. 19-3.

PROBLEM NO. 245.

(N.Y. C.P.A. Examination)

The books of Robert West, real estate agent, for the year 1906, disclose the following opening and closing balances and intervening volume of transactions:

Titles of accounts	Balances Dec. 30, 1905		Transactions in 1906		Balances Dec. 31, 1906	
Cash,............	$ 9,760.08		$137,797.62	$135,893.70	$11,664.00	
Tenants,..........	1,060.00		34,656.00	34,788.00	928.00	
Rents accrued,....		$ 1,060.00	34,788.00	34,656.00		$ 928,00
Owners,...........		2,500.00	34,610.00	34,788.00		2,678,00
Clients,..........	260.00	5,929.00	100,934.00	102,070.00	104.00	6,909,00
Trade creditors,..		444.00	4,841.40	5,007.40		610.00
Fees,.............				125.00		125.00
Commissions,......				3,118.92		3,118.92
Discounts,........				180.00		180.00
Expenses,.........			1,000.00		1,000.00	
Personal drawings,			2,000.00		2,000.00	
Office furniture,.	500.00				500.00	
Capital,..........		1,647.08				1,647.08
	$11,580.08	$11,580.08	$350,627.02	$350,627.02	$16,196.00	$16,196.00

An analysis of the books afforded further information as follows:

Tenants were allowed $71 for repairs made by them, which sum was applied on account of rent and charged to owners.

Owners were charged for commissions on collections $869.70, trade creditors bills for repairs $3,566 and insurance $52.

Clients were charged, insurance $668, coal $906, fees $120, commissions on sales $1,004.

Trade creditors presented bills for office supplies $50, insurance written $576, coal $815.40; they were allowed $180 for discount on settlements made.

Commissions on sales, collections, insurance written, and coal orders were closed into the general commission account, and Supplies Account was transferred to Expense.

The cash transactions were as follows: Receipts - tenants, $34,717, clients $102,070, commission on sales $1,010.62 Payments - owners $30,051.30, clients $98,231, trade creditors $4,661.40, personal drawings $2,000, Expense $950.

Prepare an ARTICULATION STATEMENT, showing in each account the several elements of debit and credit and giving each element the title of the Articulating account where in the contra credit or charge appears.

Ref. 21-1

PROBLEM NO. 246.

(N.Y. C.P.A. Examination)

On July 9, 1907, Smash, Slump & Company, bankers, buy from the Atlantic Ocean Bridge Company its first 5% 50-year gold bonds dated July 1, 1907, interest payable semi-annually, amounting to $10,000,000 at 90% and interest, with a bonus of 50% in common stock of the Atlantic Ocean Bridge Company.

On the same date the bankers form a syndicate for one year to take the bonds at 92-1/2% and interest with the common stock as a bonus. They make no charge for expenses. The syndicate is formed as follows:

Jones & Company	take	$1,750,000	as a participation
Smith Brothers	"	6,000,000	"
Reader & Company	"	1,250,000	"
Smash,Slump & Company	"	1,000,000	"

On the same date the bankers pay the Atlantic Ocean Bridge Company the total amount due it for the $10,000,000 of bonds, and carry the syndicate, the members of which make no payments to the bankers.

On February 1, 1908, $6,000,000 of bonds are sold on the stock exchange at an average price of 95% less 1/8% commission. On April 1,1908, $1,000,000 of bonds are sold on the stock exchange at an average price of 94% less 1/8% commission.

Prepare statements, as follows, showing the banker's and participants' accounts as they should appear on the bankers' books at the close of the syndicate:

a Statement showing the bankers' account for the purchase of the securities including transfers to syndicate account and profit thereon.

b Statement of each of the syndicate menber's accounts as they should appear on the books of the bankers, July 9,1908.

c Statements showing the transactions and profit and loss on the the bankers' own participation account, assuming that the bonds are selling at 92-1/2%.

In making up these statements, no account need be taken of the coupons paid by the Atlantic Ocean bridge Company, nor of any interest charges by the bankers to the participants' accounts or to its own participation account, as it may be assumed that the cash received for the coupons by the bankers' will be sufficient to reimburse them for their advances to July 9, 1908.

Ref. 24-1.

[illegible]

On July 1, 1907, Smith, Slump & Company, bankers, buy from the [illegible] Company its first 5% [illegible] bonds dated July 1, 1907, interest payable semi-annually, amounting to $10,000,000 at 90% and interest, with a bonus of 10% in common stock of the Atlantic Ocean Bridge Company.

On the same date the bankers form a syndicate for one year to take the bonds at 92-1/2% and interest with the common stock as a bonus. They make no charge for expenses. The syndicate is formed as follows:

Jones & Company	take	$1,750,000	as a participation
Smith Brothers	"	5,000,000	"
Bauer & Company	"	1,250,000	"
Smith, Slump & Company	"	1,000,000	"

On the same date the bankers pay the Atlantic Ocean Bridge Company the total amount due it for the $10,000,000 of bonds, and carry the syndicate, the members of which make no payments to the bankers.

On February 1, 1908, $5,000,000 of bonds are sold on the stock exchange at an average price of [illegible] less 1/8% commission. On April 1, 1908, $1,000,000 of bonds are sold on the stock exchange at an average price of [illegible] less 1/8% commission.

Prepare statements, as follows, showing the bankers' and participants' accounts as they would appear on the bankers' books at the close of the syndicate:

a Statement showing the bankers' account for the purchase of the securities including transfer to syndicate account [illegible].

b Statement of each of the syndicate member's accounts as they would appear on the books of the bankers, July 1, 1908.

c Statements showing the transactions and profit and loss on the bankers' own participation account, assuming that the bonds are selling at 92-1/2%.

In making up these statements, no account need be taken of the coupons paid by the Atlantic Ocean Bridge Company, nor of any interest charges by the bankers to the participants [illegible] for the coupons by the bankers will be sufficient to reimburse them for their advances to July 1, 1908.

PROBLEM NO. 247.

(N.Y. C.P.A. Examination)

A certified public accountant is engaged by a manufacturer of lumber to devise and install a system of accounts that will make provision for proper monthly balance sheets and for statements of income and profit and loss. Among the many things to be provided for the certified public accountant is confronted with a situation that grows out of the custom to sell on terms of 60 days, and at prices f. o. b. to destination, without prepayment on the carrier's charges. The following items illustrate conditions disclosed during the first three months in which the system is in operation, viz.:

Shipment invoiced in January at $192; carrier's charges estimated at $47; carrier's receipted freight bill remitted by vendee in March for $50.

Shipment invoiced in January at $240; carrier's charges estimated at $65; carrier's receipted freight bill remitted by vendee in March for $60.

Show what provision should have been made by the certified public accountant for recording these items and how he should have converted them into journal entries during the course of his installation of the system. In other words, disregarding any classification of the sales, illustrate proper records in columnar form for the recording of a large number of these transactions, enter therein the items given above, total the columns for the respective months and make journal entries to carry such totals to ledger accounts necessary and proper for accomplishing the desired end.

Ref. 26-3.

PROBLEM NO. 248.

(N.Y. C.P.A. Examination)

Acting through an agent and trustee, a syndicate acquires the following assets of two corporations as valued by appraisement and examination:

	B. Z. Co.	R. J. Co.
Timber lands,	$1,500,000	$1,000,000
Timber rights,	700,000	800,000
Trams and logging outfits,	100,000	150,000
Mill structures and equipment,	200,000	250,000
Materials and supplies,	20,000	30,000
Logs,	100,000	200,000
Lumber,	230,000	320,000
Bills and notes receivable,	40,000	30,000
Customers' accounts,	110,000	220,000
	$3,000,000	$3,000,000

This syndicate organizes "Lumber Company," and sells thereto all of the above property and accounts, excepting the timber lands. The syndicate also makes a stumpage contract with the company, conveying the right at stipulated prices per M feet to remove from such lands all of the milling timber. The syndicate agrees to receive as consideration $1,500,000 of Lumber Company's preferred stock and $3,000,000 of its common stock.

The syndicate also organizes "Land Company," and sells thereto the timber lands and the stumpage contract made with Lumber Company, and agrees to receive as consideration $1,500,000 of Land Company's first mortgage bonds, and $1,400,000 of its capital stock.

In organizing these companies the snydicate paid into the treasury of Lumber Company $500,000 in cash for a like amount of its common stock and into the treasury of Land Company $100,000 in cash for a like amount of its capital stock.

Prepare a balance sheet of each company, giving effect to the organization transactions and to the purchases made by each from the syndicate.

Ref. 27-6.

(N.Y. C.P.A. Examination)

The Homes Realty Company was organized January 1, 1906, to own and sell suburban lots, and is operated by a manager under an agreement of which the following is a digest:

The company is to furnish and maintain offices at New York and at the site of the Company's property in the suburbs of Philadelphia, and also to pay salaries of clerks and salesmen. The manager is to receive 3% commission on the sales.

The property is to be reappraised at the beginning of each year, by adding to the account 4% on the book figure of the property unsold at the beginning of the preceding year, and by adding the amount of any losses which may have occurred in the preceding year, such additions for losses to be canceled in subsequent years if they are made up by profits. The figures so added shall be prorated over the remaining lots for sale, and the manager is bound not to sell any property at less than the book figure.

The books have been kept for two years without adjusting and closing entries and the accounts show the following figures at December 31, 1907:

Property account (original purchases of 1,000 lots of equal value),	$400,000.00
Capital stock,	400,000.00
New York office expense,	3,085.00
Philadelphia office expense,	5,178.32
Salesmen's salaries,	17,500.00
Sales, 220 lots for,	111,425.00
Deposits on account of sales not yet closed,	215.00
Mortgage held on property sold,	38,000.00
Cash,	49,096.43
Creditors' accounts (for office supplies),	643.75
Interest on mortgages received,	576.00

There is also an amount of $125.00 interest due and not received, and $235.00 accrued interest on mortgages at Dec. 31, 1907.

These figures for expenses and sales appear up to Dec. 31, 1906:

New York office expense,	1,435.00
Philadelphia office expense,	2,647.82
Salaries of salesmen,	8,500.00
Sales, 60 lots for,	29,000.00

Prepare a detailed exhibit of operations, also balance sheet as at the beginning of the third year, with exhibit of the property account.

Ref. 29-1

(N.Y. C.P.A. Examination)

The following balances are taken from the books of the Roberts Manufacturing Co. of New York City, on the 31st of December 1910;

Inventory of finished goods (Jan. 1),	$ 3,684.57
Inventory of raw materials (Jan.1),	11,392.70
Purchases of raw materials,	62,519.85
Sales,	217,387.42
Wages,	109,317.88
Rent,	19,500.00
Discounts received on purchases,	375.60
Discounts allowed on sales,	186.36
Power, light and heat,	8,710.64
Light and heat for office,	168.00
Repairs,	1,090.00
Packing,	2,017.00
Factory expense,	3,270.00
General expense,	5,230.00
Factory insurance,	1,050.00
General insurance,	750.00
Machinery and plant,	12,350.00
Tools,	2,600.00
Commissions,	7,642.00
Office salaries,	9,700.00
Salesmen's salaries,	8,930.00
Interest on loans,	440.00
Loans payable,	22,000.00
Discount lost,	120.00
Notes receivable,	130,000.00
Notes receivable, discounted,	8,000.00
Notes payable,	19,500.00
Accounts receivable,	101,026,00
Accounts payable,	30,020.00
Office furniture,	1,100.00
Furniture and fixtures,	1,950.00
Cash on hand,	1,825.00
Cash in banks,	26,467.00
Returned sales,	276.00
Capital stock,	200,000.00
Reserve for depreciations,	3,236.98
Reserve for bad debts,	5,727.00
Freight and cartage inward,	727.00
Stable expenses,	2,750.00
Horses, wagons and harnesses,	8,500.00
Postage and expressage,	1,250.00
Superintendence,	3,500.00
Taxes,	250.00
Goodwill,	10,000.00

Stationery and printing,....................................	1,080.00
Advertising,..	8,630.00
Surplus (1909),,..	63,753.00

a Prepare from the above a trial balance arranged in systematic order, so as to facilitate the preparation of financial or business statements.
b Draft journal entries for closing the books.
c Certify your results by a balance sheet.

The following items are to be taken into consideration:

Inventories

Raw materials,..	$16,250
Finished goods,...	9,386
Tools,..	2,000
Office furniture,...	1,000
Furniture and fixtures,.....................................	1,500
Stationery and printing,....................................	300

Allow for depreciations: on machinery 5%, on horses, wagons, and harnesses 10%.

Reserve for bad debts 3% on accounts receivable only.

The item of rent $19,500 is to be apportioned as follows: 53% for factory, 22% for salesrooms and 25% for office.

The item of superintendence $3,500 is to be divided 3/5 to factory and 2/5 to general expense.

Ref. 32-1

PROBLEM NO. 251.

(N.Y. C.P.A. Examination)

The Candidate Manufacturing Company of Long Island City, N.Y. has an authorized capital stock of $1,000,000, divided into shares of common stock of $100 each, of which $500,000 has been issued and is outstanding December 31, 1911. The bonded indebtedness of the Company amounts to $200,000. The issue is secured by a mortgage on the property, plant and equipment. The other indebtedness of the Company amounts to $72,500. The books were closed December 31, 1911.

The following gives the analysis of the profit and loss for the calendar year 1911:

PROFIT AND LOSS

Purchases (returns and allowances deducted)	$150,000.00	Sales (returns and allowances deducted)	$341,280.00
Freight, cartage in,..	600.00	Premium on bonds (sold during the year),............	1,000.00
Productive labor,.....	53,200.00	Dividends on stocks of other companies,....	2,500.00
Factory overhead,.....	6,350.00	Interest on notes and accounts receivable,	690.00
Repairs to machinery and tools,..........	1,175.00	Interest on bank balance	213.25
Net decreases of inventories,..........	12,000.00	Sundry small sales of material,..........	65.50
Freight and cartage out	780.30		
Salaries of salesmen,.	8,000.00		
Commissions, salesmen,	6,150.00		
Advertising,..........	5,000.00		
Other selling expenses	1,500.00		
General and administration expenses,......	39,600.00		
Taxes,................	8,830.00		
Interest on bonds,....	9,500.00		
Interest on other indebtedness,.........	910.00		
Reserve for depreciation of plant and equipment,..........	3,000.00		
Reserve for depreciation of machinery and tools,..........	3,500.00		
Net profit,...........	35,653.45		
	$345,748.75		$345,748.75

The inventory at 1/1 1911 was,.......... $ 34,600.00

The inventory at 12/31, 1911 is,..........$ 22,600.00

You are asked by the Company to prepare a report to the Commissioner of Internal Revenue, to be sworn to by the president of the Company, in accordance with the provisions of the United States Corporation Tax Law of August 5, 1909!

Submit the statement and the working papers showing the items included in each group.

Ref. 32-5

PROBLEM NO. 252.

(N.Y. C.P.A. Examination)

THE TURNWELL TRADING CO.

	Trial balance Jan. 1, 1910	Cash receipts from Jan. 1, to June 30, 1910	Credited to profit and loss June 30, 1910		Trial balance Jan. 1, 1910	Cash disbursements from Jan. 1, to June 30, 1910	Charged to profit and loss June 30, 1910
Land and buildings,...	$30,000			Mortgage payable,...	$12,000	$ 3,500	
Horse, wagons & harness	5,000			Accounts payable,...	9,000	23,500	
Investment, bonds......	10,000			Interest on mortgage		150	$ 210
Inventory, mdse.,.....	11,000			Salaries of salesmen,		1,500	1,575
Stable supplies,......	150			Surplus,...........	17,450		
Cash,................	17,500			Capital stock,,,....	50,000		
Accounts receivable,..	14,800	$36,000		Purchases,..........			20,000
Interest on investment		400	$ 490	Freight,............		425	425
Increase of inv., mdse			500	Stable supplies,....		200	235
Capital stock,........		5,000		Advertising,........		50	50
Interest on bank bal..		80	80	Administration, expenses		6,500	6,500
Sales,................			38,500				
				Horse, wagons and harness,..........		300	
	$88,450	$41,480	$39,570		$88,450	$35,125	$28,995

Prepare a statement showing amount of ledger assets as of January 1, 1910; add to this statement the increase of capital stock and the income of the period; deduct from the statement the disbursements of the period, concluding with a balance sheet showing total assets as of June 30, 1910

Ref. 33-3

PROBLEM NO. 253.

(N.Y. C.P.A. Examination)

The Cambria Company is engaged in the manufacture and the sale of millinery. It buys and sells, in addition, gowns, veilings, laces, furs and novelties. Its factory, salesrooms and offices are located in one building.

All its sales are made by salesmen or saleswomen either in the salesroom or on the road. Millinery is sold at retail and wholesale, while the other classes of merchandise are sold at retail only. All retail sales are recorded by means of sales tickets numbered consecutively and used as a direct medium of posting.

Wholesale sales are made on credit only, while retail sales are partly on credit and partly for cash.

The firm desires to obtain accurate results of operation regardless of overhead expenses of each class of goods.

It also desires a form of retail ledger that would reduce the considerable labor entailed heretofore at the first of each month, due to the fact that the monthly statements give details of sales to customers.

(a) Prepare proper form and ruling of a sales summary to take care of the retail sales only.

(b) Prepare proper form and ruling of a retail customers' ledger, to comply with the requirements mentioned above.

(c) Give instructions for the operation of two books.

Ref. 34-1

PROBLEM NO. 254.

(N.Y. C.P.A. Examination)

Prepare a plan of a depositor's ledger for a trust company that allows 2% interest on daily balances. Incorporate in this plan the following particulars exemplifying X's account.

Deposits - July 1, 1911, $5,000. October 1, $50. Nov. 1, $60. April 1, 1912, $50. May 1, $60. July 1, $4,807.78. July 1, $2,045. August 1, $100. Nov. 1, $120.

Withdrawals - July 1, 1911, $4,245. July 1, 1912, $7,103.30.

Ref. 35-6

PROBLEM NO. 255.

(N.Y. C.P.A. Examination)

The Cinema Company, leasing moving picture machines for theaters, has 1,000 machines in operation. On January 1, 1915, the company decides to increase the number of its machines 80%, and places an order with the manufacturers of the machines, who agree to complete and deliver the new machines in equal quarterly instalments. The company arranges to borrow $60,000, by the sale of five-year 6% notes, it being agreed that a sum equal to 20% of the total issue shall be set aside annually out of the profits of the company for the redemption of such notes. The average annual cost for maintenance was found to be $120 per machine, and $24,880 was estimated for other expenses.

What annual charge per machine would the company have to make in order to meet its obligations and pay a dividend of 10% on $200,000 of its capital stock?

Ref. 38-4

PROBLEM NO. 256.

(N.Y. C.P.A. Examination)

The office of a firm of traders, doing business in San Francisco, was destroyed by an earthquake. The books of account, which had been fully posted, were badly damaged. The following ledger accounts were found to be legible:

Purchases, net $69,000; discounts lost, $640; discounts gained, $3,450; sales, $54,000; bills receivable, $33,000. Inquiry at the bank disclosed a balance on deposit, $129,000. Bills receivable amounting to $45,000 had been discounted at the bank. An audit of the checks paid by bank showed that $99,000 had been paid creditors (including $60,000 notes payable). A balance sheet prepared at the last closing of the books was produced, containing the following items:

Cash, $60,000; accounts receivable, $126,000; loans receivable $24,000; real estate, $90,000; notes receivable, $78,000; capital, $318,000; notes payable, $60,000.

Prepare a trial balance supplying the missing accounts.

Ref. 39-3

PROBLEM NO. 257.

(N.Y. C.P.A. Examination)

TRIAL BALANCE OF THE GENERAL LEDGER OF JOHN DOE, CIVIL ENGINEER, AT DECEMBER 31, 1911.

Cash, ...	$10,572.44	Manhattan Construction, ...	$ 5,000.00
Furniture and fixtures, ...	1,054.68	Report #1 Swanee Creek Railroad,.	5,300.00
Real estate (Rutherford home), ...	6,000.00	Report #2 Englewood Reservoir, ...	4,500.00
Investments in stocks, ...	15,457.50	Report #3 Long Acre Library, ...	3,200.00
Investments in bonds, ...	3,000.00	Conn. Tramways Co.,	11,950.00
Missouri Pacific Margin Account, ..	13,000.00	Earnings - consulting, ...	2,000.00
Accounts receivable	15,361.32	Report fees, ...	16,000.00
General expense, ...	9,800.00	Sharp & Company, brokers, ...	11,310.00
Interest, ...	1,060.00	Stocks and bonds, ..	4,300.00
		Capital, ...	21,745.94
	$75,305.94		$75,305.94

Analyses:

General expense - salaries; John Doe $6,000, other salaries $1,800; rent $1,000; advertising $600; cables and telegrams $90; stationery and printing $110; other expenses $200.

Interest - debited with $1,300 charged by Sharp & Co., brokers on margin account; reduced by dividends of $390, credited by Sharp & Co. on margin account. Balance on loans since repaid.

Manhatten Construction Co. - represents consulting fees received during the year 1911, the contract running from month to month, with no expense to John Doe.

Reports 1-3 - are completed and delivered. Account contains fees, less expenses.

Connecticut Tramways Co. - represent $2,000, received Nov. 1, 1911 and expenses $50; according to terms of contract, John Doe is to act as consulting engineer for 10 months and to receive altogether $5,000.

Report fees - fees received under contract for report. $9,000 received on contracts on which no work has been done; balance is earned.

Stock and bonds - are sold. Account represents balance.

Additional facts - dividends on stocks received during the year amount to $1,985, of which $1,000 was applied to the account Investment Stocks, and $985 was applied to stocks and bonds sold.

Prepare (a) balance sheet at December 31, 1911 with your certificate attached, (b) income statement showing John Doe's true earning power as a civil engineer.

Ref. 42-2

PROBLEM NO. 258.

(N.Y. C.P.A. Examination)

The Sea Side Bank having 9,000 depositor's accounts, on which the bank allows 2% interest on daily balance, requires a form for its depositors' ledger that will enable the bank officers to ascertain accurately and quickly the depositors' balance including the accrued interest.

The following Items are to be incorporated in the form submitted:

Deposits, July 1, $5,000, October 1, $50, November 1, $60.
Withdrawals, July 1, $4,245.
Submit the form and calculate the interest to meet the requirements as of January 1, following.

Ref. 42-5

PROBLEM NO. 259.

(N.Y. C.P.A. Examination)

The directors of a manufacturing company submit the following trial balance to an accountant, requesting that he inform them as to what percentage of dividend they may safely declare out of the year's net income:

TRIAL BALANCE DECEMBER 31, 1916

Real estate,..........	$ 94,000	Capital stock,..........	$422,000
Plant and machinery,..	80,000	Sales,..................	438,350
Patents and goodwill,..	160,000	Accounts payable,.......	20,000
Inventory, Jan. 1, 1916	58,000	Notes payable,..........	52,000
Purchases,.............	165,000	Dividends on stocks owned,...............	3,000
Labor,.................	176,000	Rentals,................	4,000
Coal,..................	12,000		
Salaries, general,....	22,000		
Salaries, management,.	10,000		
Insurance,............	1,750		
Repairs,..............	2,000		
Claims and allowances,	12,500		
Prepaid freight (included in invoice price),.............	3,000		
Interest and discount,	1,500		
Cash,.................	16,000		
Investments,..........	31,000		
Miscellaneous expenses,.............	8,600		
Accounts,receivable,..	84,000		
Deficit, Jan. 1, 1916,	2,000		
	$939,350		$939,350

Inventory December 31, 1916, $53,000. Four employees, A, B, C, and D, receive as additional salaries the following percentages of the earnings measured by the net income: A 25%, B 12-1/2% C 6-1/4% and D 6-1/4%. Furnish the required information together with a financial statement and an income account.

Ref. 43-1

PROBLEM NO. 260.

(N.Y. C.P.A. Examination)

A firm of bankers dealing exclusively in public utility bonds want a convenient for of statement that will enable them to tell at a glance the number of bonds to be accounted for by the cashier and the gross profits on sales of bonds. Draft such a form for the bond blotter.

Ref. 43-3

PROBLEM NO. 261.

(N.Y. C.P.A. Examination)

A manufacturing corporation, requiring additional capital, presents to a firm of bankers the statement given below, with the request that the bankers underwrite the proposed new capital stock. The corporation has secured a war contract from the government, which is expected to yield very large profits. Capital is required to increase the size of the plant, as well as the working force of highly skilled employees. Analyze the statement for the banker and comment briefly on it from the accountant's standpoint.

JULY 31, 1917		
Real estate,	$ 90,000	
Capital stock,		$100,000
Machinery,	10,000	
Advances on contracts,		50,000
Buildings,	40,000	
Accounts payable,		42,000
Work in process,	10,500	
Surplus,		6,300
Materials and supplies,	8,000	
Cash,	3,500	
Goodwill,	30,000	
Deferred charges,	2,100	
Accounts receivable,	4,200	
	$198,300	$198,300

Ref. 44-2

PROBLEM NO. 262.

(N.Y. C.P.A. Examination)

R & Company and S & Company, two large lumber dealers, organized a syndicate with a view to a consolidation of their lumber interest. The books of the two corporations were examined and all assets valued by appraisement, showing the following result:

	R & COMPANY	S & COMPANY
Timber lands,..................	$1,500,000	$1,000,000
Standing timber,................	700,000	800,000
Trams and logging outfits,......	100,000	150,000
Mill structures and equipment,..	200,000	250,000
Materials and supplies,.........	20,000	30,000
Logs in the boom,...............	100,000	200,000
Sawed lumber in sheds,..........	230,000	320,000
Bills and notes receivable,.....	40,000	30,000
Customers' accounts,............	110,000	220,000
	$3,000,000	$3,000,000

The syndicate organized the Upland Lumber Company and sold to this new company all of the above property and accounts, excepting the title to the land. The syndicate also entered into a contract with the new lumber company, conveying the right to cut and remove all standing timber, on a stumpage basis. The syndicate agreed to accept as its consideration for such sale $2,000,000 of the Upland Lumber Company's preferred stock, and $3,000,000 of its common stock.

The syndicate also organized the Hilltop Land Company, and sold to this new company all the lands, as well as the stumpage contract made with the Upland Lumber Company, receiving as its consideration $1,500,000 of the land company's first mortgage bonds and $1,000,000 of its capital stock.

In organizing these two companies the syndicate paid into the treasury of the lumber company $500,000 in cash, for an equal amount of common stock, at par, and into the treasury of the land company $500,000 for a like amount of its capital stock, at par.

Prepare a balance sheet of each company, giving effect to the organization transactions and to the purchases made by each company from the syndicate.

Ref. 44-5

PROBLEM NO. 263.

(N.Y. C.P.A. Examination)

A fire insurance company began business with a capital of $400,000 and a surplus of $400,000 paid in cash. At the end of the year its books show the following:

Income: gross premiums $707,135.84, less reinsurance rebates and return premiums $94,971.27; interest on mortgage loans, received in cash $6,803.65 and interest accrued and due $1,349.87; interest on collateral loans, received in cash $1,014.44 and accrued and due $4,228.32; interest on bonds and dividends on stock, received in cash $16,841.65 and accrued and due $186; profit on sale of assets $4,204.52.

Outgo: gross amount paid for losses $115,048.22, less salvages $14,900; gross claims for losses in process of adjustment $32,263.83; gross claims for losses resisted $8,618.50; less due and accrued for reinsurance $11,412.71; commissions or brokerage paid in cash $123,544.19, and due or to become due $9,519.24; salaries, fees and all other charges of officers, clerks and other employees paid $24,755.68; rents paid $4,224.93; taxes, licenses, insurance department fees paid $9,764.99; all other expenses paid $20,820.12; due and accrued expenses $621.29; due and accrued return premiums $9,597.36; due and accrued reinsurance premiums $6,856.48. The market value of securities owned was $20,625 less than their cost.

The risks in force at the end of the year carried premiums of $580,867.07, of which sum $424,747.65 was the aggregate of premiums on risks running one year or less, and $156,119.42 was the aggregate on risks running more than one year, the unearned premiums on which amounted to $111,950.46.

Set up the income accounts, making due allowance for unearned premiums.

Ref. 45-5

PROBLEM NO. 264.

(N.Y. C.P.A. Examination)

A professional firm require an estimate of their profits, and a statement showing the disposition of their cash. The gross fees are estimated to be 50% profit. The books are kept on a cash basis. Prepare estimate and statement from the following data:

Cash receipts from fees,...............	$218,000
Uncollected accounts,.................	42,000
Cash in bank,.........................	65,000

Ref. 46-2

PROBLEM NO. 265.

(N.Y. C.P.A. Examination)

A public library presents the following trial balance of its ledger:

Allen fund for purchase of historic literature,........................		$ 92,000
Smith fund for purchase of Civil War literature,........................		18,000
Receipts from lost books,.............		100
Membership annual fees,...............		14,500
Income from Allen fund,...............		3,680
Income from Smith fund,...............		540
Salaries and sundry expenses,..	$ 8,640	
Rent,........................	6,400	
Purchase of historic literature	3,400	
Purchase of Civil War literature,......................	450	
Cash in bank,..................	4,930	
Securities Allen fund,.........	90,000	
Securities Smith fund,.........	15,000	
	$128,820	$128,820

Prepare a report showing the financial status of the library.

Ref. 46-5

PROBLEM NO. 266.

(N.Y. C.P.A. Examination)

A corporation had a balance in surplus account at the end of its fiscal year, January 31, 1915, of $204,044.03 which included the profits for the twelve months ending January 31, 1915, $80,385.35. The profits to January 31, 1916, were $91,248.42, to January 31, 1917, $134,052.27 and to January 31, 1918, $150,107.14.

The dividends paid were, May 26, 1916, $100,000, April 10, 1917, $100,000; on January 31, 1918, they charged to Surplus $13,000 for salaries of officers that had been omitted from Profit and Loss account before closing.

Prepare a statement showing the surplus on February 1, 1918. This statement should also show the undistributed balance of each calendar year's earnings, as well as the undistributed balance of the earnings prior to January 1, 1915. In preparing this detail, bear in mind the fact that the dividends were paid from the most recent earnings.

Ref. 47-1

PROBLEM NO. 267.

(B.Y. C.P.A. Examination)

From the following data (a) prepare one trading account for the years 1916 and 1917, stating the gross profit for the two years, (b) prepare a trading account with estimated inventory for 1918:

Sales 1916,..........	$290,696.81	Sales nominal,.....	$493,476.87
Sales 1917,..........	292,548.21	Sales in carload lots,..........	39,351.68
Purchases 1916,......	241,709.33	Return sales,.....	15,304.58
Purchases 1917,......	253,791.95	Sales discounts,..	4,267.30
Sales discounted 1916	1,238.55	Purchases,........	443,685.15
Sales discounted 1917	1,955.26	Freight in,.......	6,211.53
Freight in 1916,.....	3,384.35	Gross gain on carload lots,......	1,956.42
Freight in 1917,.....	4,094.70		
Inventory, Jan. 1, 1916,	63,784.78		
Inventory, Dec. 31, 1917	107,317.80		

Ref. 47-2

PROBLEM NO. 268.

(N.Y. C.P.A. Examination)

The president of a corporation engaged four salesmen on a salary, and profit sharing basis. To one he gave 40% of the profits, to the other three, 20% each. The profits of the corporation were $102,608.18. Show proportion of profits payable to each salesman.

Ref. 47-4

PROBLEM NO. 269.

(N.Y. C.P.A. Examination)

The High Pressure Valve Manufacturing Company submit the following trial balance taken from their books in connection with the facts enumerated; the organization is highly skilled and dependent upon cooperation; give your recommendations as to what should be done to serve the interest of the business.

Plant $14,500; Accounts receivable $4,000; Cash $1,510; Capital stock $15,000; Loans payable $3,000; Accounts payable $4,000; Notes payable $3,500; Sales $16,000; Cost of sales $10,000; General expense $2,000; Selling expense $3,500; Deductions from income $4,000. The valves are in demand and in general use.

Ref. 47-6

PROBLEM NO. 270.

(N.Y. C.P.A. Examination)

Richard Roe contracts with a textile establishment to sell the mill's annual output on the following conditions:

The mill is to ship and bill the output to Roe at cost. Roe is to remit the mill 75% of cost upon receipt of the goods. The balance is to be remitted by Roe, as the various shipments are sold, less 5% commission and advances, the goods being sold ar 10% profit above factory cost (mill shipments $7,327,918.18).

At the end of one year an analysis of Roe's books reveals the following state of affairs:

	DEBITS	CREDITS
Mill advances,..................	$ 5,545,938	$ 5,000,000
Mill sales,.....................	6,400,000	7,840,710
Freight and cartage,...........	90,000	80,000
Customers,.....................	7,840,710	7,632,200
Cash,..........................	7,610,200	5,635,938
Discounts,.....................	22,000	
Commission,....................		320,000
Mill account,..................		1,000,000
	$27,508,848	$27,508,848

Prepare Roe's financial statement.

Ref. 48-4

PROBLEM NO. 271.

(N.Y. C.P.A. Examination))

A telephone company found it necessary to increase its plant to accommodate 5,000 subscribers. Arrangements were made for the necessary additions, to pay for which 1,000 first mortgage 6% 50-year gold bonds were issued. A clause in the mortgage provided that a sum equal to 2% of the total bond issue should be set aside annually out of the profits of the company for the redemption of the bonds. The average annual cost of maintaining and operating was found to be $27.50 per telephone and $30,000 was estimated for other expenses. On January 1, 1900, 4,000 telephones were in use and the contractors agreed to complete their work at the rate of 250 telephones per quarter. What annual rental per telephone would the company have to charge in order to meet its obligations and to pay a dividend of 5% on $1,000,000 of its capital stock?

Ref. 49-1

PROBLEM NO. [illegible]

(C.P.A. [illegible] Examination)

Richard Roe contracts with a textile mill [illegible] to sell the mill's annual output on the following conditions:

The mill is to ship and bill the output to Roe at cost. Roe is to remit the mill 75% of cost upon receipt of the goods. The balance is to be remitted by Roe, as the various shipments are sold, less 5% commission and expenses, the goods being sold at 10% profit above factory cost (mill shipments $[illegible]).

At the end of one year an analysis of Roe's books reveals the following state of affairs:

Mill advances	[illegible]	[illegible]
Mill sales	6,400,000	[illegible]
Freight and cartage	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Discounts	2,000	[illegible]
Commission		[illegible]
Mill [illegible]		[illegible]
	[illegible]	[illegible]

Prepare Roe's financial statements.

Ref. 46-4

PROBLEM NO. [illegible]

(C.P.A. [illegible] Examination)

A telephone company found it necessary to increase its plant to accommodate 6,000 subscribers. Arrangements were made for the necessary additions, to pay for which $[illegible] first mortgage 6% 50-year gold bonds were issued. A clause in the mortgage provided that a sum equal to [illegible] of the total bond issue should be set aside annually out of the profits of the company for the redemption of the bonds. The [illegible] cost of maintaining and operating was found to be $[illegible] per telephone and $50,000 was estimated for other expenses. On January 1, [illegible], [illegible] telephones were in use and the contractors agreed to complete their work at the rate of 500 telephones per quarter. What annual rental per telephone would the company have to charge in order to meet its obligations and to pay a dividend of [illegible] on $1,000,000 of its capital stock?

Ref. 46-5

PROBLEM NO. 272.

(N.Y. C.P.A. Examination)

Henry Richardson purchased an office building for \$5,000,000, on which there was a mortgage of \$3,000,000 at 6%, title to pass December 1, 1919. Interest on the mortgage is payable March 1 and September 1; taxes for the year 1919, \$160,000, payable October 1, 1919, were unpaid; special assessments of \$180,000, due January 31, 1920, unpaid. The transfer was made on December 1, 1919. The inventory of supplies on hand December 1, 1919, amounted to \$29,500; rents collected in advance \$42,000; rents due and uncollected \$54,000; rents for last quarter of calendar year due December 31, \$52,500; due to contractor \$285,000. The insurance policies expiring March 1, 1920, covering the property, aggregate \$4,000,000, the yearly premiums amount to \$27,000. Subcontractors had placed liens on the property amounting to \$68,000, while the contractor claims he owed them only \$54,000.

The agreement provided that 50 per cent of the purchase price over the mortgage indebtedness should be paid in cash, the balance to be secured by a second mortgage. Prepare a statement showing how much cash should be paid to the seller on December 1, 1919; also prepare proper entries to record the acquisition of the property on the books of account of Richardson.

Ref. 49-4

PROBLEM NO. 273.

(N.Y. C.P.A. Examination)

John Jones and William Smith agree to merge their respective businesses as at January 1, 1920, into an incorporated company in which each shall own such share as shall be reflected by the proportionate net profits from their respective businesses for the year ending December 31, 1919, when taken as a whole.

John Jones owns the factory building used by him which is valued at $1,000,000. The assets and liabilities of the two businesses are deemed to be equal in value for the purposes of the merger.

The books of John Jones show as follows for the year ending December 31, 1919:

Sales,	$1,500,000
Purchases, raw materials,	700,000
Inventory, January 1, 1919,	130,000
Inventory, December 31, 1919,	95,000
Labor,	300,000
Repairs to building,	30,000
Repairs to equipment,	20,000
Selling expenses,	40,000
Office expenses,	18,000
Salary to John Jones,	15,000
Insurance,	6,500
Taxes, real estate,	3,200
Taxes, special assessments,	1,600
Bad debts charged off,	300
Interest on bank balances,	1,800
Discount to customers,	1,700
Taxes, federal income and excess profits,	76,000
Interest on borrowed capital,	6,000

For the same period the books of William Smith show as follows:

Sales,	$2,000,000
Purchases,	1,050,000
Inventory, December 31, 1919,	160,000
Inventory, January 1, 1919,	185,000
Repairs to machinery,	64,000
Labor,	600,000
Office expenses,	22,000
Rent,	76,000
Insurance,	13,500
Federal income and excess profits taxes,	86,000
Interest on bank balanaces,	22,000
Bad debts charged off,	500
Discounts to customers,	2,300
Selling expenses,	10,000

Jones's expense for insurance on real property amounted to $4,000 and he charged off depreciation on building $90,000 and on equipment $30,000, while Smith charged depreciation on equipment $40,000.

The corporation into which the businesses are merged has authorized capital stock of $3,000,000 divided into 60,000 shares of the par value of $50 each, and an authorized issue of 5% 20-year gold bonds of $1,000,000, due January 1, 1940.

Prepare statement showing comparable net earnings of the two enterprises, and also the interest of each party in the corporation after the merger became effective.

Ref. 49-6

164

(N.Y. C.P.A. Examination)

The board of directors of the D,E,F Company removed their manager on April 30, 1917, on the general suspicion that his books misrepresented the true financial condition of the business. Prepare a statement showing the nature and the probable extent of the misrepresentation, also an approximate statement of income and profit and loss for the four months ending April 30, 1917, and a balance sheet as of April 30, 1917.

The following is a trial balance taken from the books April 30, 1917:

Capital stock		$ 75,000
Fixtures	$ 10,000	
Inventory, January 1, 1917	128,600	
Cash	15,450	
Accounts receivable	24,600	
Accounts payable		39,000
Loans payable		10,000
Sales		51,000
Purchases	40,700	
Salaries, salesman	2,200	
Advertising	1,650	
Salaries, office	1,100	
Rent	400	
Interest	200	
Insurance, January 1 to December 31, 1917	999	
Stationery and printing	105	
Reserve for depreciation of fixtures	2,710	
Surplus, January 1, 1917		48,294
	$226,004	$226,004

An analysis of the Purchases and Sales accounts revealed the following: purchases, year 1914, $122,000; sales, year 1914, $153,750; inventory, January 1, 1914, $101,000; purchases, year 1915, $123,000; sales, year 1915, $153,170; inventory, January 1, 1915, $100,000; purchases, year 1916, $121,000; sales, year 1916, $154,722; inventory, January 1, 1916, $102,000.

Fixed charges were $29,263 per annum. A further loss of $4,112.45 occurred by reason of excess charges paid on loom labor and there was a loss of materials from theft and carelessness of strike breakers amounting to $500.

The total productive loom hours accomplished were 43,064. The maximum hours per loom were 1200. The normal production, at mill cost, would be $119,203.47. Five per cent on actual loss of production was also to be paid.

Prepare a statement showing what the manufacturer is entitled to.

Ref. 50-4

PROBLEM NO. 275.

(N.Y. C.P.A. Examination)

Your client submits the following trial balance received by him from the Emporium Company, a retail dry goods and furniture concern in which he contemplates investing by purchasing $25,000 (par value) of unissued capital stock, and requests you to submit such statements and comments as you may be able to from the trial balance; he has no additional information:

TRIAL BALANCE - DECEMBER 31, 1919

Land,	$. 10,000	
Building, brick,	40,000	
Fixtures and boilers,	8,000	
Furniture and office equipment,	7,500	
Delivery equipment, automobiles,	12,000	
A. B. C. Company, 6 per cent bonds,	15,000	
Cash,	18,500	
Accounts receivable,	2,200	
Inventory, January 1, 1919,	80,000	
Insurance premiums,	2,650	
Taxes,	32,400	
Sales,		$350,000
Allowances to customers,	1,150	
Purchases,	215,000	
Discounts received,		8,525
Interest,	1,250	
Capital stock,		75,000
Real estate mortgage,		25,000
Accounts payable,		11,500
Taxes due,		800
Selling expenses,	20,000	
Delivery expenses,	6,500	
Advertising,	4,000	
Office and general expenses,	11,000	
Surplus,		16,325
	$487,150	$487,150

Note: Inventory at December 31, 1919, $50,000.

Ref. 51-1

PROBLEM NO. 276.

(N.Y. C.P.A. Examination)

Prepare a plan of a depositor's ledger for a trust company that allows 2% interest on daily balances. Incorporate in this plan the following particulars exemplifying A's account:

Deposits - July 1, 1900, $5,000; October 1, $50; November 1, $60; April 1, 1901, $50; May 1, $60; June 1, $4,807.78; July 1, $2,045; August 1, $100; November 1, $120.

Withdrawals - July 1, 1900, $4,245; July 1, 1901, $7,103.30.

Ref. 53-1